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Insights

Annual General Meeting (AGM)

Day/Date : Wednesday, July 16, 2008

Time : 3.00 p.m.

Venue : Birla Matushri Sabhagar,
19, Marine Lines, Mumbai 400 020.



It all began with an uncharted area, thirty years ago. The prospect and the potential of housing finance. A new space to carve out. A new venture. A gleam in the eye and a fire in the belly. All there. And the time was right - as we at HDFC, now looking back, can reaffirm.

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Much of what happened with us in the years that immediately followed is history. Few know how it has always been with us. Learning something fresh - all the time. Learning by seeing; by doing. Learning on our feet - and continuing to do so. And gaining new, invaluable, insights in the process...

OPERATIONAL HIGHLIGHTS

(Rs. in crores)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Cumulative
Approvals	4,071.76	5,305.15	6,879.77	9,041.25	11,731.57	15,215.56	19,715.33	25,633.67	33,331.93	42,520.00	188,283.55
Disbursements	3,424.27	4,492.74	5,803.01	7,616.56	9,950.87	12,696.82	16,206.75	20,679.20	26,177.99	32,874.99	152,156.44
Cumulative Investment made possible in the housing sector	40,540.36	50,742.57	64,502.11	82,584.61	103,734.78	134,165.90	173,595.90	224,863.24	291,527.10	376,568.00	

1 Crore = 10 Million

1 Lac = 100,000

FINANCIAL HIGHLIGHTS

(Rs. in crores)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Gross Income	1,752.73	2,015.56	2,382.35	2,700.15	2,975.62	3,077.85	3,410.44	4,278.39	5,896.26	8,196.07
Profit After Tax	333.90	401.81	473.65	580.01	690.29	851.78	1,036.59	1,257.30	1,570.38	2,435.07
Shareholders' Funds	1,971.84	2,095.97	2,371.94	2,702.84	3,043.86	3,393.79	3,883.10	4,468.33	5,551.40	11,111.11
Share Capital - Equity	119.11	119.11	120.08	121.71	244.41@	246.61	249.12	249.56	253.01	11,111.11
Reserves and Surplus	1,852.73	1,976.86	2,251.86	2,581.13	2,799.45	3,147.18	3,633.98	4,218.77	5,298.39	11,663.00
Term Borrowings	4,571.18	6,764.69	8,219.95	10,264.67	14,130.73	19,346.39	28,807.31	37,979.93	46,808.61	57,854.00
Deposits	5,252.40	6,223.85	7,249.83	8,491.02	9,121.55	9,337.65	7,840.09	8,741.42	10,384.42	11,296.00
Loans Outstanding	8,219.26	10,063.00	13,224.66	17,207.68	21,749.91	27,974.27	36,011.50	44,990.12	56,512.36	72,997.00
Dividend (%)	85	190*	125	250**	110@	135	170	200	220	250
Book Value per Share (Rs.)#	83	88	99	111	125	138	156	179	219	4
Earnings per Share (Rs.)#	14	17	20	24	28	35	42	50	63	

* Includes one time special millennium (interim) dividend of 100%.

** Includes one time special Silver Jubilee dividend of 100%.

@ The Corporation allotted bonus shares in the ratio of 1:1 in December, 2002. Dividend is for the full year on the enhanced capital post the issue of bonus shares.

Adjusted for bonus.

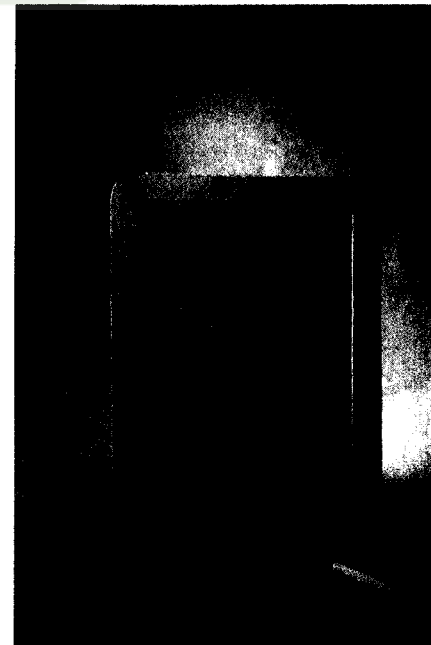
HIGHLIGHTS

A clean slate...

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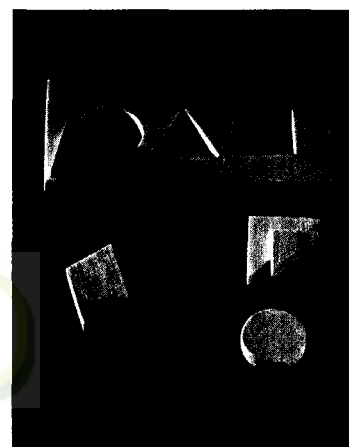
is what we began with. Plus an inquiring mind and a squeaky if determined, slate pencil - which is our metaphor for a willingness to try every possibility. There was no one to ask, or to follow. We had to find out for ourselves. For instance: about understanding our customers, their views and their priorities. Putting ourselves in their places, and going on from there.

Three decades ago although no one else in the country was in Housing Finance, the importance of caring for our customers in the right way was the first lesson. It took priority. For we have always had much to learn from them - and continue to do so, now, more than thirty years and three million home financing projects later.



Homework...

for us, has always been uppermost in mind. The different kinds of work concerning homes. That has been our focus all along. True, we were in those days, very aware of the simple arithmetic which says one satisfied client today can multiply into five eager ones tomorrow. But to believe how persuasive the word of mouth can be, one had to see it happen - as we did.



It taught us how vital it is to anticipate our customers' needs. To work out ways by which affordable homes of their own could be a reality, not a dream. Just one instance of several such creative schemes was the Step Up Repayment Facility (SURF) directed towards helping young professionals with relatively low incomes, but with high potential. Consequently, larger loans than normal eligibility considerations would allow, became a reality. All of this came from strong foundations of transparency and trust, foundations which have constantly educated us to experiment further, to make our mistakes - and learn from them.

Graduation,

over the years, has been achieved in different ways, marked by steady, if gradual, growth - until HDFC became the household word it is today - and punctuated by new initiatives, valuable experience and fresh experiments. Branches, outreach programmes, and service centers have been, each in its time, a source of growth and a means of learning by doing.

It has been a continual exercise of keen observation: being aware of and keeping a step ahead of the rapid changes we constantly encounter, particularly in the business environment:

Thinking out of the box teaches us to take nothing for granted; to reinvent ourselves on the basis of what we continually learn. Example: the fun things which HDFC property fairs provide for kids while prospective homemakers look at possible housing. So that whether we come up with ideas for a robotically managed urban apartment, or find equally challenging ways helping a small town grocer with his home loan, we realize anew that awesome academic degrees have to yield to resourcefulness. And our people know the value of thinking on one's feet.






TRAIN THE TRAINERS

Learning,

at HDFC is a discipline like no other - as our people can testify. It begins with sound corporate values: values, based on a principle-centred approach, built from day one, on fairness, kindness, efficiency and effectiveness. And it continues, through the years. Making communication and an open, creative environment a thriving reality. Making us increasingly sensitive to the needs of our less fortunate fellow citizens.



And so, while we grow as an organisation, with young entrants, young ideas and a fresh outlook, our corporate social responsibility grows with us, impelling us to reach out, to help. And to realize, as achievements bring awards and spur us on to greater effort, the intrinsic truth of the words, that 'the gift is to the giver and comes back most to him.'

Board of Directors

Mr. Deepak S. ParekhChairman

Mr. Keshub MahindraVice Chairman

Mr. Shirish B. Patel

Mr. B. S. Mehta

Mr. D. M. Sukthankar

Mr. D. N. Ghosh

Dr. S. A. Dave

Mr. S. Venkitaramanan

Dr. Ram S. Tarneja

Mr. N. M. Munjee

Dr. Bimal Jalan (Appointed w.e.f. April 30, 2008)

Dr. Vijay L. Kelkar (Resigned w.e.f. December 31, 2007)

Dr. J. J. Irani (Appointed w.e.f. January 18, 2008)

Mr. D. M. Satwalekar

Ms. Renu Sud KarnadJoint Managing Director

Mr. Keki M. Mistry Vice Chairman & Managing Director

Brief Profile of the Directors of the Corporation

Mr. Deepak S. Parekh is the executive Chairman of the Corporation. He is a Fellow of the Institute of Chartered Accountants (England & Wales). Mr. Parekh joined the Corporation in a senior management position in 1978. He was inducted as a whole-time director of the Corporation in 1985 and was appointed Chairman in 1993. He is the chief executive officer of the Corporation.

Mr. Keshub Mahindra is the vice chairman of the Corporation. He is a graduate of the Wharton School of the University of Pennsylvania, U.S.A. He is a renowned industrialist and is the chairman of the Mahindra & Mahindra Group of companies. He is a director on the boards of several prominent companies in India. He has been a director of the Corporation since its inception. He is also the Chairman of the Compensation Committee of Directors.

Mr. Shirish B. Patel holds a Master's degree in arts from the University of Cambridge. He founded and is now the chairman-emeritus of a firm of consulting civil engineers with expertise in prefabrication, mass housing, tall buildings, factories, bridges and marine works. He was one of the three original authors of the idea of Navi Mumbai. He has been a director of the Corporation since its inception and is a member of the Compensation Committee of Directors.

Mr. B. S. Mehta is a graduate in commerce and a Fellow of the Institute of Chartered Accountants of India. Mr. Mehta is an accountant in practice dealing with taxation, accountancy and valuation of mergers and acquisitions. He is a director on the boards of several prominent companies in India. He has been a director of the Corporation since 1988. He is also a member of the Compensation Committee and Audit Committee of Directors.

Mr. D. M. Sukthankar was an officer of the Indian Administrative Services and was Secretary, Ministry of Urban Development, Government of India and later Chief Secretary to the Government of Maharashtra. Mr. Sukthankar is recognised as an expert urban developer and has been associated with the housing sector for a number of years. He has been a director of the Corporation since 1989.

Mr. D. N. Ghosh holds a Master's degree in economics. He was the former chairman of the State Bank of India. He is currently the chairman of ICRA Limited and a director of many prominent companies in India. He has been a director of the Corporation since 1989. He is also a member of the Audit Committee of Directors.

Dr. S. A. Dave is a Doctorate of economics and holds a Master's degree in economics from the University of Rochester. Dr. Dave was the former chairman of the Securities and Exchange Board of India and the Unit Trust of India. Dr. Dave is currently the chairman of the Centre for Monitoring Indian Economy and a director on the boards of many prominent companies in India. He has been a director of the Corporation since 1990. He is also the Chairman of the Audit Committee of Directors.

Mr. S. Venkitaramanan holds a Master's degree in industrial administration from the Carnegie Mellon, University of Pittsburgh and a Master's degree in physics from the University of Kerala. Mr. Venkitaramanan is a former governor of the Reserve Bank of India. He is a director on the boards of many prominent companies in India. He has been a director of the Corporation since 1994.

Dr. Ram S. Tarneja holds a Doctorate in human resources from Cornell University. He also has a M. A. both from the University of Delhi and University of Virginia and a B. A. Honors from University

of Delhi. He was the former managing director of Bennett, Coleman & Company Limited. He is a director on the boards of several prominent companies in India. He has been a director of the Corporation since 1994. He is also the Chairman of the Investors' Grievance Committee of Directors.

Mr. N. M. Munjee holds a Master's degree in economics from the London School of Economics. He is currently the chairman of Development Credit Bank Limited. He is also a director on the boards of many companies and is deeply interested in development and infrastructure issues. He was earlier the executive director of the Corporation and had been working with the Corporation from 1978 to 1998.

Dr. Bimal Jalan is a nominated Member of Parliament (Rajya Sabha) and former Governor of the Reserve Bank. He has previously held several positions in the Government including those of Finance Secretary and Chairman of the Economic Advisory Council to Prime Minister. He has also been associated with a number of public institutions, and is at present Chairman of the Public Interest Foundation, Delhi. He has been appointed as a director of the Corporation with effect from April 30, 2008.

Dr. J. J. Irani holds a Doctorate from University of Sheffield, U.K. He also holds a Master's degree in science from Nagpur University and M. Met from University of Sheffield, U.K. Queen Elizabeth II conferred on him honorary Knighthood (KBE) for his contribution to Indo-British Trade & Co-operation. The President of India conferred on him the award of Padma Bhushan in 2007 for his services to trade and industry in the country. He is a director on the boards of several prominent companies in India. He has been appointed as a special director of the Corporation with effect from January 18, 2008.

Mr. D. M. Satwalekar holds a Bachelor's degree in technology from the Indian Institute of Technology, Bombay and a Master's degree in business administration from the American University, U.S.A. He is currently the managing director and chief executive officer of HDFC Standard Life Insurance Company Limited and a director on the boards of many prominent companies in India. He was earlier the managing director of the Corporation and had been working with the Corporation from 1979 to 2000. He is also a member of the Investors' Grievance Committee of Directors.

Ms. Renu Sud Karnad, Joint Managing Director of the Corporation, is a graduate in law from the University of Mumbai and holds a Master's degree in economics from the University of Delhi. She is a Parvin Fellow – Woodrow Wilson School of International Affairs, Princeton University, U.S.A. She is currently the President of the International Union for Housing Finance. She has been employed with the Corporation since 1978 and was appointed as the executive director in 2000 and was re-designated as the Joint Managing Director of the Corporation in October 2007.

Mr. Keki M. Mistry, Vice Chairman and Managing Director of the Corporation, is a Fellow of the Institute of Chartered Accountants of India. He has been employed with the Corporation since 1981 and was appointed as the executive director of the Corporation in 1993, as the deputy managing director in 1999, as the managing director in 2000 and was re-designated as the Vice Chairman and Managing Director of the Corporation in October 2007. He is also a member of the Investors' Grievance Committee of Directors.

Senior Executives

SENIOR GENERAL MANAGERS

Mr. R. Anand
Mr. R. Arivazhagan
Mr. Conrad D'Souza
Ms. Madhumita Ganguli
Mr. Mathew Joseph
Mr. K. G. Krishnamurthy*
Mr. Suresh Menon
Mr. S. N. Nagendra
Mr. M. Ramabhadran
Mr. V. S. Rangan
Mr. B. V. Sundararajan

* On deputation to subsidiary/associate company

GENERAL MANAGERS

Mr. Gautam Bhagat*
Mr. B. M. Bhasin
Mr. Girish Bhatia
Mr. Nikhil Dwivedi
Mr. C. V. Ignatius
Mr. Sudhir Kumar Jha
Mr. Irfan Koreishi
Mr. K. Suresh Kumar
Ms Manju K. Malkani
Ms. Sonal Modi
Mr. P. K. Mukherjee
Mr. S. Ramanath
Mr. Prabhat Rao
Mr. Subodh Salunke
Mr. R. Sankaranarayanan
Mr. Rajeev Sardana
Mr. Dilip Shetty
Mr. S. K. Vasant

* On deputation to subsidiary/associate company

DEPUTY GENERAL MANAGERS

Mr. Dilip Apte
Mr. P. S. Barman
Mr. Praveen Kumar Bhalla
Mr. Vinay P Bhatt
Mr. Satrajit Bhattacharya
Ms. Mala Bhojwani
Mr. Udayan Bose
Mr. S. K. Chaudhari
Mr. Thomas Cherian
Mr. Jagdish Dave
Ms. Swati D. Deshpande
Mr. Varghese George
Mr. Dipta Bhanu Gupta
Mr. Prosenjit Gupta
Mr. Padmaraja Hegde
Mr. Prakash Hulkopkar
Mr. C. S. Israni
Mr. Sanjay Joshi
Mr. Pradip V. Kakad
Mr. Gajanan V. Kamat
Mr. Deven Kumar
Mr. Manoj Nair
Mr. L. Padmanabhan
Mr. Rajasekharan Panickar
Mr. Vinayak P. Parkhi
Mr. N. Radhakrishnan
Mr. N. Ramesh
Mr. T. Ravishankar
Mr. Jayesh N. Shah
Mr. Mahesh H. Shah
Mr. S. V. Shaligram
Mr. H. S. Shamasundara
Mr. P. C. Srivastava
Ms. Tara Subramaniam
Mr. Sujir Udayanand



COMPANY SECRETARY

Mr. Girish V. Koliyote

REGISTERED OFFICE

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H. T. Parekh Marg,
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Dadar T.T., Mumbai 400 014.
Tel. Nos. : 22-2414 6267/68
Fax Nos. : 22-2414 7301
E-mail : investorcare@hdfc.com

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants

BRANCH AUDITORS - DUBAI

Pannell Kerr Forster
Chartered Accountants

DEBENTURE TRUSTEES

Central Bank of India
Debenture Trustee Section
Central Bank – MMO Bldg.,
6th Floor, 55, M. G. Road,
Fort, Mumbai 400 023.

IDBI Trusteeship Services Ltd.
Asian Building, Ground Floor,
17, R. Kamani Marg,
Ballard Estate, Mumbai 400 001.

TRUSTEES - FCCB

Deutsche Trustee Company Ltd.
Winchester House,
1 Great Winchester Street,
London EC2N 2DB

SOLICITORS AND ADVOCATES

Amarchand & Mangaldas & Suresh
A. Shroff & Company
Wadia Ghandy & Company
AZB & Partners

PRINCIPAL BANKERS

Central Bank of India
HDFC Bank Ltd.
State Bank of India
Bank of India
Canara Bank

Chairman's Letter

Dear Shareholders,

For an investor, times have been difficult. The uncertainty and edginess in the markets have left many investors weary. It has been over nine months since the markets have agonisingly laboured over the subprime crisis. The origin of the subprime crisis stems from the US housing market. In the aftermath of the dotcom bubble, home prices in the US increased exponentially between 2000 and 2005. Rising house prices and easy credit gave way to a growing subprime market for borrowers with patchy credit histories. By 2006 when the interest rate cycle turned upwards, the boom in the housing market turned to bust. Several subprime borrowers who were overstretched on their loans found themselves unable to refinance anymore and defaults began to rise. Home loan defaults had an immediate impact on the broader global credit markets as these mortgages were tranching and pooled into securitised and other exotic structured products. Global investors, including hedge funds, in search of higher yields had actively pursued these structured products without entirely gauging the risks attached. Needless to say, the crisis reached ungainly proportions as confidence eroded across global financial markets. Large and reputed institutions in the western financial markets have reported approximately US\$ 300 billion in write-downs and credit losses as a result of the subprime meltdown.

As the knots of the subprime crisis are slowly being untied, there are questions that still remain unanswered. Will there be more pain before a recovery? Was the subprime crisis a fall-out of a combination of greed, regulatory oversight and gullible borrowers? While global markets grapple with the enormity of the crisis, a lesson that imminently stands out is the need for greater transparency.

Evidence has now shown that what works best for home loan borrowers are plain, vanilla amortising loan products and not complex interest only loans or exotic structures where interest rates are kept artificially low for the initial period and then it suddenly escalates to high floating rates. In most cases, borrowers rarely understand the risks involved in these complex products and invariably end up being stretched beyond their means. The subprime crisis has also brought to light the fact that there is no substitute for cautious and prudent lending. Further, merely chasing market share often results in reckless lending. The basic tenets of home financing are simple – lending must be done according to earning capacity, which is on a cash flow basis and not on asset values. These may be conservative and cautious practices, but pay in the long run. This is also the lending philosophy that HDFC has imbibed since its inception.

The Indian housing market may have saved itself from the contagion effect, but this should not relegate the need to advocate transparency in the Indian real estate market. After over three decades of being associated with the real estate market, I find myself still discomfited by the fact that little has been done by way of simplifying the process of land acquisition; *au contraire*, land assembly or acquisition has become more controversial and approval processes have grown in complexity rather than being streamlined. Admittedly, these are not new issues that I am raising, but what is baffling is the inability to effect beneficial change even on simple procedural issues.

A case in point is the requirement of environmental clearance for all construction projects from the state or central government, depending upon the size of the project. Why should a residential project, school or hospital be subject to similar environmental rigours as a toxic emitting factory?

Environmental concerns are extremely valid, but the present procedures involving multi tiered approvals from various bodies and the mandatory no objection public hearings calls for an urgent reassessment.

I fail to understand why the government is propagating red tape under the guise of being green. I have been witness to projects that have been unable to take off owing to bureaucratic processes and inordinate delays involved in seeking environmental clearances. As new jobs are being created, demand for housing increases. If this demand is not met, home prices spiral upwards, excluding more people from the housing market.

It is estimated that even for a residential project, a developer requires over 57 approvals from various entities. This multiplicity of approvals often takes 12 to 15 months, resulting in significant cost and time overruns, which needless to say is passed on to the hapless purchaser. It is not unusual for developers to have to resort to *'beg, borrow and pay'* to obtain approvals. A single window, time-bound approval mechanism can go a long way in resolving housing issues in India. If 'housing for all' has been accorded national priority, then is it not in the government's interest to expedite rather than delay housing projects?

Another issue that I have been vociferously raising for a while now is the need for developers to mandatorily sell flats based on carpet area, which is the internal wall-to- wall area, representing the actual liveable space. Many developers continue to misguide buyers by selling on the basis of super-built up area, without differentiating the actual liveable area from the common facilities. There are instances where the difference between the carpet and super built up area is as high as 50 per cent. Bifurcating the carpet area and common amenities increases transparency in the transaction. Ironically, though some states have legislation for flats to be sold on the basis of carpet area, what is lacking is enforcement.

Key sectors in India today have independent regulators – most of whom have been effective with good track records. The real estate sector has been growing rapidly and is a sensitive sector given its strong inter-linkages to other industries in the economy. I have advocated the need for a real estate regulator, though I understand this proposal has been met with stiff resistance from certain members of the developer fraternity. Though land is a state subject and would therefore require regulators at each state level, there can be a mechanism whereby there is an apex national body, which can oversee the functioning of the state level real estate regulators.

My strongest contention for a real estate regulator is to protect buyers. Just about anyone today can become a developer or broker, irrespective of whether they have any civil engineering background or knowledge of land laws. Developers rarely offer any warranty for the flats and in case of disputes, consumers have only the consumer or civil courts as recourse - both of which may take ages before a case can even come up for hearing. Delays in handing possession of the property to a purchaser has become the order of the day. Needless to say, the developer community is free from any liability in case of delays. From the consumers' perspective, a house is the single largest investment a person makes in his or her lifetime. It is only fair that there is some effective mechanism that can take care of grievances and ensure basic consumer protection. I believe a real estate regulator can effectively take on the role of an ombudsman, ensuring best practices and enforcing transparency within the sector.

My objective is not to be unduly critical but my viewpoint stems more from concern that sufficient measures are not being put in place to avoid an impending urban crisis. According to a recent United Nations Report, over 900 million people in India will be living in urban cities in another four decades – a threefold increase from the present 300 million urban dwellers today. How will these cities house this influx of people? The cities have created job opportunities, but are unable to match up by providing sufficient affordable housing. This is why policy intervention is urgently required.

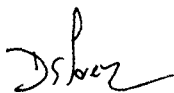
Stimulating a rental market will go a long way in providing affordable housing. Developers need to be incentivised to build rental accommodation. Last year, the Urban Land (Ceiling and Regulation) Act, 1976 was finally repealed in the state of Maharashtra. But contrary to what was anticipated, no fresh supply of land has come into the market. This is because there are several cases registered under the act that are still locked up in litigation and pending in court. These cases need to be withdrawn or dismissed immediately. Again, many housing boards are flush with funds, auctioning land to the highest bidder, but one does not see this money being ploughed back into housing and related infrastructure facilities. If all land transactions are increasingly being driven by maximising profits, then socially relevant institutions like schools, vocational training centres or primary health care centres will constantly be muscled out by vested commercial interests. I have come to believe that if we have to change the face of our cities for a better tomorrow, we need to find solutions, perhaps not from our head but from our heart.

Increasing home ownership in India has been HDFC's *raison d'être*. For over three decades, HDFC has pursued this mission relentlessly and successfully. HDFC, however, realises that its efforts are miniscule compared to the scale of housing shortage in the country. Mortgage penetration is barely 6% of GDP – abysmally low compared to its Asian peers. Nevertheless, HDFC remains unwavering in its commitment to increase home ownership, which in turn provides families with a safe haven and a sense of security – all for the betterment of civil society.

Looking ahead, HDFC has sufficient reason to be optimistic: the middle-class segment is estimated to swell to over 580 million people over the next 15 years. This segment mainly comprises young, vibrant individuals, armed with growing disposable incomes and waiting to unleash their aspirations – key among them being a homeowner. The potential of this market is exciting, though challenging and HDFC looks forward to the opportunity of housing all these aspirants.

Thank you for your continued support.

Yours sincerely,



Deepak S. Parekh

Directors' Report

TO THE MEMBERS

Your directors are pleased to present the Thirty-first Annual Report of your Corporation with the audited accounts for the year ended March 31, 2008.

Financial Results

	For the year ended March 31, 2008 (Rs. in crores)	For the year ended March 31, 2007 (Rs. in crores)
Profit before Tax and Exceptional Items	2,737.24	1,934.80
Exceptional Items – Profit on Sale of Investments – Subsidiaries & Associates	636.26	32.98
Profit before Tax	3,373.50	1,967.78
Provision for Tax	935.00	395.00
Provision for Fringe Benefit Tax	2.25	2.40
Profit after Tax	2,436.25	1,570.38
Appropriations have been made as under:		
Special Reserve No. II	355.00	466.00
General Reserve	999.47	368.17
Additional Reserve (under Section 29C of the National Housing Bank Act, 1987)	245.00	80.00
Shelter Assistance Reserve	6.00	5.00
Proposed Dividend (at Rs. 25 per share)	710.10	556.61
Additional Tax on Dividend	120.68	94.60
	2,436.25	1,570.38

Dividend

Your directors recommend payment of dividend for the year ended March 31, 2008 of Rs. 25 per share as against Rs. 22 per share for the previous year.

Preferential Allotment of Equity Shares

In order to fund its growth, the shareholders of HDFC Bank Limited (HDFC Bank) had granted approval to raise equity of up to US\$ 1 billion through *inter alia* American Depository Shares. HDFC, in order to retain its shareholding on the enhanced capital base of HDFC Bank, was required to invest further sums in the equity of HDFC Bank. HDFC Standard Life Insurance Company Limited (HDFC-SL) also has been increasing its capital base from time to time to fund its growth. HDFC therefore on

a continuing basis, has to contribute its share of equity to fund the growth of its subsidiaries and associate companies and accordingly proposed a preferential offer of equity shares.

Pursuant to your approval at the last Annual General Meeting (AGM), the Corporation completed the issue and allotment of 1,80,00,000 equity shares of Rs. 10 each on a preferential basis, at a price of Rs. 1,730 per equity share, in accordance with Chapter XIII of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. Of the said issue, 1,52,50,000 equity shares were subscribed by the Carlyle Group through CMP Asia Limited and the balance 27,50,000 equity shares were subscribed by Citigroup Strategic Holdings Mauritius Limited.

Lending Operations

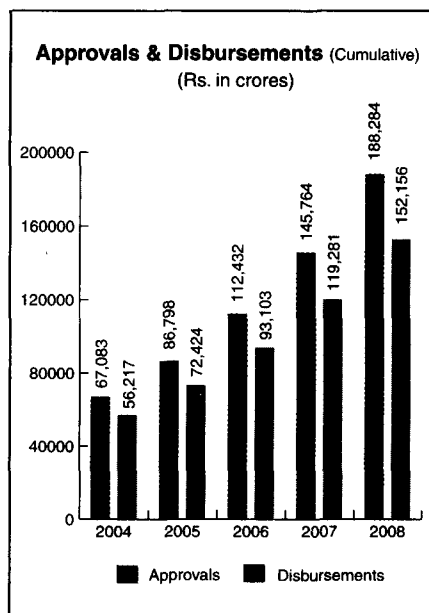
Loan approvals during the year were Rs. 42,520 crores as compared to Rs. 33,332 crores in the previous year, representing a growth of 28%. Loan disbursements during the year were Rs. 32,875 crores as against Rs. 26,178 crores in the previous year, representing a growth of 26%.

Cumulative loan approvals and disbursements as at March 31, 2008 were Rs. 1,88,284 crores and Rs. 1,52,156 crores respectively. This is in respect of over three million housing units.

Individual loan business continued to be robust backed by strong demand, rising disposable incomes and continued fiscal incentives on housing loans. In value terms, individual loan approvals and disbursements registered a growth of 28% and 26% respectively over the previous year. The average size of individual loans stood at Rs. 14 lacs.

Purchase and Sell-Down of Loans

During the year, the Corporation purchased individual loan portfolios from various originators amounting to Rs. 1,147 crores. These loans were purchased after the Corporation undertook due diligence and cherry-picked the retail loan portfolios. The assignment of all right, title and interest, along



with the underlying security of the purchased portfolios are in favour of the Corporation.

The Corporation also sold a part of its loan portfolio amounting to Rs. 550 crores. These loans have been assigned to the purchasers. The Corporation, however, continues to hold the security of these loans on a *pari passu* basis with the purchaser.

Mortgage-Backed Securities (MBS)

During the year, the Corporation did not enter into any fresh securitisation transactions. The total MBS outstanding as at March 31, 2008 stood at Rs. 2,071 crores. HDFC continues to service the loans sold under the MBS issues. These issues carry a rating indicating the highest degree of safety. To date, loans aggregating to Rs. 3,610 crores have been sold by the Corporation through the issue of MBS.

Repayments

During the year under review, Rs. 15,819 crores were received by way of scheduled repayment of principal through monthly instalments as well as redemptions ahead of schedule, as compared to Rs. 13,589 crores received last year.

Loan Portfolio

As at March 31, 2008, the loan book stood at Rs. 72,998 crores as against Rs. 56,512 crores in the previous year – an increase of 29%.

The loan portfolio (including loans outstanding, deposits and investments in debentures for financing real estate related projects) as at March 31, 2008 amounted to Rs. 74,104 crores as against Rs. 57,988 crores in the previous year, representing an increase of 28%.

Foreign Currency Convertible Bonds (FCCB)

In September 2005, the Corporation concluded the issue of US\$ 500 million zero coupon FCCB. The bonds are convertible at any time into equity shares of the Corporation of the face value of Rs.10 each up to July 29, 2010 at the option of the holders, at Rs.1,399 per equity share, representing a conversion premium of 50% over the initial reference share price. The premium payable on redemption of the bonds

is charged to the Securities Premium Account over the life of the bonds.

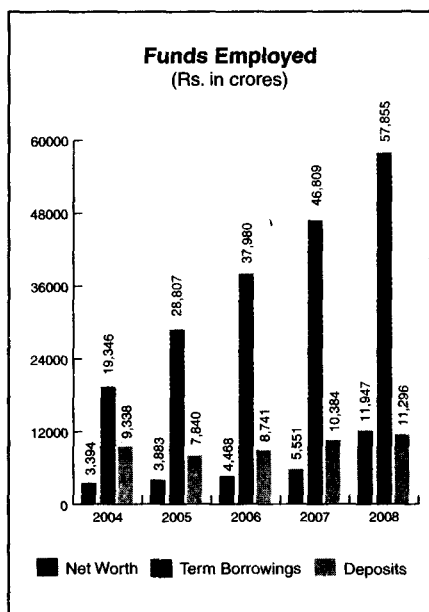
As at March 31, 2008, the Corporation allotted 1,19,33,410 equity shares of Rs. 10 each pursuant to the conversion of the FCCB, representing 76.4% of the bonds.

If the balance bonds are not converted within the above-mentioned conversion period, the remaining bondholders would have the right to redeem the outstanding bonds on September 27, 2010 at a yield to maturity of 4.62% per annum.

Resource Mobilisation

Subordinated Debt

The Corporation did not issue any subordinated debt during the year. As at March 31, 2008, the Corporation's outstanding subordinated debt stood at Rs. 1,375 crores. The debt is subordinated to present and future senior indebtedness of the Corporation and has been assigned the highest rating by CRISIL and ICRA. Based on the balance term to maturity, as at March 31, 2008, Rs. 1,215 crores of the book value of subordinated debt is considered as Tier II under the guidelines issued by the National Housing Bank (NHB) for the purpose of capital adequacy computation.



Non-Convertible Debentures (NCD)

During the year, the Corporation issued NCDs amounting to Rs. 16,245 crores on a private placement basis. The Corporation's NCD issues have been listed on the Wholesale Debt Market segment of the National Stock Exchange of India Limited (NSE). The Corporation's NCDs have been assigned the highest rating of 'AAA' by both CRISIL and ICRA. As at March 31, 2008, NCDs outstanding stood at Rs. 32,553 crores.

Loans from Banks

During the year, the Corporation raised loans amounting to Rs. 8,803 crores from commercial banks, of which Rs. 3,867 crores were under the priority sector category of commercial banks. The Corporation further raised Rs. 2,860 crores from the banking sector as FCNR (B) loans.

Refinance from NHB

NHB has an internal rating mechanism for housing finance companies (HFCs) and the Corporation has been assigned the highest rating for its refinance schemes by NHB. During the year, the Corporation has drawn refinance amounting to Rs. 650 crores under NHB's Refinance Scheme to Housing Finance Companies, 2003.

Deposits

Despite strong competition from banks and mutual funds, growth in deposits continued during the financial year under review. As at March 31, 2008, outstanding deposits stood at Rs. 11,296 crores as against Rs. 10,384 crores in the previous year. The depositor base stood at approximately 8 lac depositors.

CRISIL and ICRA have for the thirteenth consecutive year, reaffirmed their 'AAA' rating for HDFC's deposits. This rating represents 'highest safety' as regards timely repayment of principal and interest.

The support of the agents and their commitment to the Corporation has been instrumental in HDFC's deposit products continuing to be a preferred investment for households and trusts.

Unclaimed Deposits

As of March 31, 2008 public deposits amounting to Rs. 125.32 crores had not been claimed by 29,656 depositors. Since then, 4,646 depositors have claimed or renewed deposits of Rs. 23.97 crores. Depositors were intimated regarding the maturity of deposits with a request to either renew or claim their deposits.

As per the provisions of Section 205C of the Companies Act, 1956, deposits remaining unclaimed for a period of seven years from the date they became due for payment have to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. Accordingly, during the year, an amount of Rs. 29.68 lacs has been transferred to the IEPF.

KfW Lines/Grant

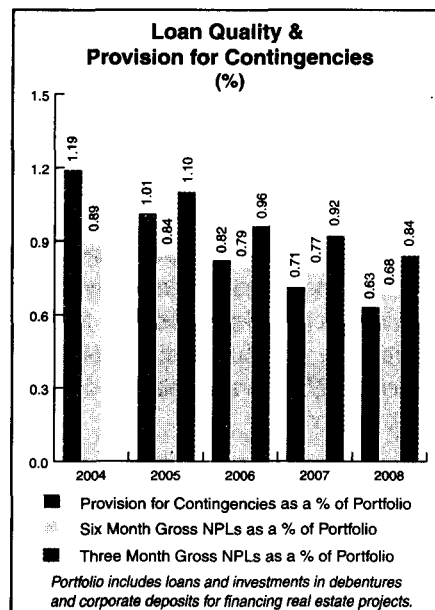
During the year, HDFC approved 16 new schemes under the KfW Entwicklungsbank (KfW) lines in the area of low-income housing and micro-finance by way of financial intermediation to partner non-government organisations (NGOs) and micro-finance institutions across India. The ensuing projects are administered as group or individual loans designed for the economically weaker sections (EWS) of society to improve their access to institutional credit. The total disbursements towards such schemes for the year under review stood at Rs. 22.06 crores.

These schemes have been approved out of the third line from KfW, of Euro 15.3 million, and partly by way of redeployment of the micro-finance component of Euro 6 million, which stands fully utilised as at March 31, 2008. Against the cumulative loan approvals of Rs. 79.56 crore, HDFC has disbursed Rs. 76.58 crores as at March 31, 2008.

During the year, KfW has earmarked an amount of Euro 1.22 million arising from the fourth line of grant towards EWS housing schemes.

Non-Performing Loans

Gross non-performing loans defined as loans where the instalments are outstanding for



more than 90 days as at March 31, 2008 amounted to Rs. 621.01 crores. This is equivalent to 0.84% of the portfolio (as against 0.92% in the previous year) comprising loans as well as debentures issued by corporates and corporate deposits placed for financing their real estate projects.

Based on a six months overdue basis, the non-performing loans as at March 31, 2008 stood at 0.68% of the loan portfolio as against 0.77% in the previous year.

In terms of the prudential norms as stipulated by NHB, the Corporation is required to carry a provision of Rs. 224.91 crores in respect of non-performing assets and general provision on outstanding standard non-housing loans.

The balance in the provision for contingencies account as at March 31, 2008 stood at Rs. 470.30 crores, which is equivalent to 0.63% of the portfolio.

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) has proved to be a useful recovery tool and the Corporation has been able to successfully initiate recovery action under this Act in the case of wilful individual and corporate defaulters.

Regulatory Guidelines/Amendments

HDFC has complied with the Housing Finance Companies (NHB) Directions, 2001 prescribed by NHB regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit, credit rating and capital market exposure other than on its investment in HDFC Bank. The Corporation has made a representation to NHB requesting for exemption of its investment, as a promoter in HDFC Bank from the capital market exposure limits.

During the year under review, the risk weight for individual housing loans below Rs. 20 lacs was reduced from 75% to 50% while those above Rs. 20 lacs continued to carry a risk weight of 75%. The risk weight on commercial real estate loans is 150%.

HDFC's capital adequacy ratio stood at 16.8% of the risk weighted assets, as against the minimum requirement of 12%. Tier I capital was 14.6% against a minimum requirement of 6%.

Know Your Customer (KYC) Guidelines, Anti Money Laundering (AML) Standards and Fair Practices Code

NHB has issued comprehensive KYC and AML guidelines in the context of recommendations made by the Financial Action Task Force on Anti Money Laundering Standards and on Combating Financing of Terrorism Standards. In accordance with the guidelines set out by NHB, the Corporation has put in place a policy framework on KYC and AML measures, as approved by the Board of Directors. During the year, the Corporation has adhered to the KYC and AML guidelines and has complied with the requirements of monitoring and reporting cash/suspicious transactions.

The Fair Practices Code framed by NHB seeks to promote good and fair practices by setting minimum standards in dealing with customers, increase transparency so customers have a better understanding of what they can reasonably expect of the services being offered, encourage market forces through

competition to achieve higher operating standards, promote fair and cordial relationship between customers and the housing finance company and foster confidence in the housing finance system. During the year, the Corporation has adhered to the Fair Practices Code as approved by the Board of Directors.

Risk Management Framework

The Corporation has a Risk Management Framework, which lays the procedures for risk assessment and mitigation. The Risk Management Committee (RMC) of the Corporation comprises the Joint Managing Director as the chairperson and members include senior management heading key functions of the Corporation. The RMC reviews key risks associated with the business of the Corporation, its root causes and the efficacy of the measures in place to mitigate the same. The Board of Directors also reviews the procedures adopted by the Corporation to assess risks and their mitigation mechanisms.

Marketing and Distribution

In line with the ethos of the Corporation which is to reach out to its customers and set the highest possible service standards, HDFC has further reinforced its existing distribution

network. The distribution network now spans 250 outlets, which include 52 offices of the Corporation's wholly owned distribution company, HDFC Sales Private Limited (HSPL). In addition, HDFC covers over 90 locations through outreach programmes. This marketing and distribution strength of HDFC caters to customers in over 2,400 locations across the country. HDFC also has an office in London and Dubai and service associates in Kuwait, Qatar, Sharjah, Abu Dhabi and Saudi Arabia – Al Khobar, Jeddah and Riyadh.

Besides the existing office network, HDFC's sales force is augmented through distribution channels which include HSPL, HDFC Bank and third party direct selling associates (DSAs). These channels only source loans, while HDFC continues to retain control over the credit, legal and technical appraisal, ensuring no compromise on the quality of loans disbursed.

During the year, HDFC launched two major advertising campaigns. 'Asset Plus' was launched primarily to create awareness about home equity loans. The second campaign was 'Empowerment', which highlights the fact that the Corporation's employees are empowered to deploy all resources available to them to provide professional services to customers.

In order to cater to various segments of customers, having unique requirements and constraints, HDFC emphasised on thematic exhibitions and property fairs like the 'Budget Home Show' at Ghaziabad and Kalyan, 'Emerging Nashik' at Nashik, 'NRI Home Land' offered in Coimbatore, Salem, Erode and Palakkad for non-resident Indians, amongst several others.

Road shows were organised in Dubai, Singapore and London to showcase properties of leading Indian developers in various cities for NRIs based at these locations.

Cross Selling and Distribution of Financial Products and Services

HDFC's subsidiary companies have strong synergies with HDFC and hence efforts are channelled into cross selling so as to offer

customers a wide range of financial products and services under the 'HDFC' brand.

HDFC is a Composite Corporate Agent for HDFC Standard Life Insurance Company Limited (HDFC-SL) and HDFC ERGO General Insurance Company Limited (HDFC-ERGO).

International Housing Finance Initiatives

HDFC's expertise in housing finance is well regarded and therefore a number of existing and new housing finance companies in various parts of the world are keen to tap HDFC for training, strategic input and technical assistance in housing finance.

During the year, senior executives of the Corporation were invited to Germany, Ghana, Indonesia, Kenya, Maldives, Mauritius, Pakistan, Rwanda, Turkey and Uganda for seminars, consultancy or training assignments in housing finance.

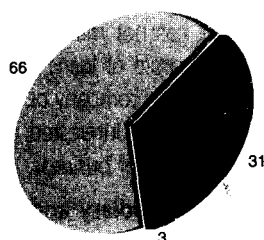
In November 2007, the Corporation conducted an international training programme on 'Housing Finance Management' at its training centre, Centre for Housing Finance, located at Lonavla, India. Participants from fourteen countries across Asia and Africa attended a week-long residential training programme. In addition, some participants attended a hands-on attachment programme at the Corporation's offices. HDFC also conducted a dedicated programme on housing finance for a delegation of senior executives from Indonesia at its training centre. Delegates from Germany, Maldives, Russia and Saudi Arabia visited the Corporation to study its operations and review the Indian mortgage market.

Shelter Assistance Reserve (SAR)

The Shelter Assistance Reserve continued its function of participating in and supporting diverse and meaningful development projects across the country. The year under review saw a total of Rs. 5.43 crores being utilised towards accomplishing HDFC's social objectives through a variety of programmes initiated by local institutions, NGOs and trusts.

During the year, HDFC contributed to the corpus of The National Association for the

Composition of Loans Outstanding (%)
(Net of Securitised Loans)
(As at March 31, 2008)



Individuals - 66%
Corporates - 31%
Others - 3%

Blind, Childline India Foundation, The Research Society and The Shraddha Rehabilitation Foundation, among several others. Some of the developmental initiatives where HDFC also extended support include the Nanhi Kali Project for supporting the education of the girl child in Chhattisgarh, Concern India Foundation towards a medical services programme for senior citizens in Hyderabad, the Tata Institute of Social Sciences for an education initiative for tribal children in Thane and for a health-care and awareness programme in six slum clusters in New Delhi.

Training and Human Resource Management

HDFC has always maintained that its talent pool needs to be engaged in a process of continuous learning. Given the changing business environment, the challenge is to consistently revisit knowledge, skills and attitudes required for performance of specific roles.

During the current year, besides the induction training for management trainees and new officers, specific programmes were designed for staff members in lending operations, accounts, recoveries, secretarial, legal and deposits. These training programmes are conducted by in-house facilitators.

Other internally conducted programmes include executive development, managerial skills, mentoring and leadership programme conducted for employees heading service centre. Selling and negotiation skills programmes have also been offered to executives of HDFC's channel partners who originate loans for the Corporation.

HDFC nominated staff members for external programmes on real estate, housing finance, valuation, risk management, treasury management, information technology, quality, service management, leadership, brand management, accounting standards and taxation, micro-finance, corporate governance and corporate social responsibility.

Awards and Recognitions

During the year, some of the awards and recognitions received by the Corporation include:

- Best Indian company in the 'Financial Institutions/Non-Banking Financial Companies/ Financial Services' category at the Dun & Bradstreet – American Express Corporate Awards, 2007.
- Best 'Investment Management in India' at the EUROMONEY 2007 Real Estate Awards.
- Ranked amongst India's top three best managed companies by FinanceAsia, 2007.
- Ranked third amongst the Asian Banking and Finance Sector for 'Highest Return on Equity' by Asiamoney.

As regards the Corporation's marketing initiatives, HDFC ranked amongst the top 10 most valued Indian brands by 4Ps Business & Marketing, 2007. In addition, the Corporation was awarded the 'Consumer Superbrand' status.

Subsidiary Companies

In terms of Section 212(8) of the Companies Act, 1956, the Central Government has granted its approval, exempting the Corporation from

the requirement of attaching to its annual report, the balance sheet, profit and loss account and the report of the directors and auditors thereon, in respect of all its thirteen subsidiary companies. Accordingly, a copy of the balance sheet, profit and loss account, report of the Board of Directors and Report of the Auditors of the following subsidiary companies of the Corporation – HDFC Developers Limited, HDFC Investments Limited, HDFC Holdings Limited, HDFC Asset Management Company Limited, HDFC Trustee Company Limited, HDFC Realty Limited, HDFC Standard Life Insurance Company Limited, HDFC ERGO General Insurance Company Limited, GRUH Finance Limited, HDFC Sales Private Limited, HDFC Ventures Trustee Company Limited, HDFC Venture Capital Limited and HDFC Property Ventures Limited, have not been attached to the balance sheet of the Corporation for the financial year ended March 31, 2008.

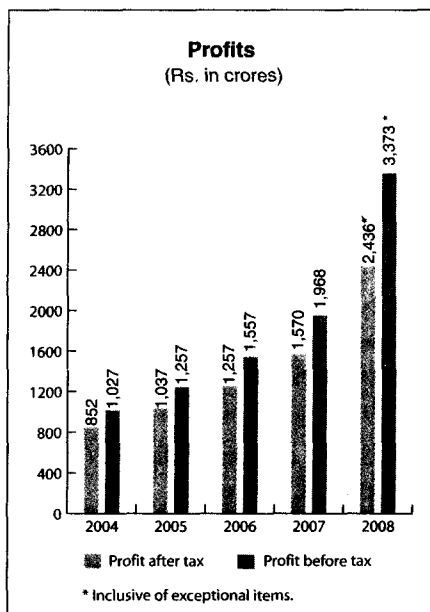
The Annual Report of the Corporation, the annual accounts and the related documents of the Corporation's subsidiary companies are posted on the website of the Corporation, www.hdfc.com. Shareholders who wish to have a copy of the annual accounts and detailed information on any subsidiary company can download the same from the website or may write to the Corporation for the same. Further, the said documents shall be available for inspection by the shareholders at the registered office of the Corporation and at the office of the respective subsidiary company.

The Corporation has not made any loans or advances in the nature of loans to any of its subsidiary or associate company or companies in which its directors are interested, other than in the ordinary course of business.

Review of Key Subsidiary and Associate Companies

HDFC Bank Limited (HDFC Bank)

In light of the strong and continued growth of HDFC Bank and to meet the changing regulatory requirements, during the year, HDFC Bank enhanced its share capital through a



preferential allotment to your Corporation aggregating Rs. 1,390 crores and through a public offering of American Depository Shares on the New York Stock Exchange aggregating to Rs. 2,393 crores.

During the year, net advances of HDFC Bank grew by 35% to Rs. 63,427 crores. This was driven by a growth of 39% in retail advances and an increase of 30% in wholesale advances. Expansion in the distribution network was stepped up with the number of branches (including extension counters) increasing from 684 (in 320 cities) to 761 (in 327 cities).

For the year ended March 31, 2008, HDFC Bank reported a profit after tax of Rs. 1,590 crores as against Rs. 1,142 crores in the previous year, representing an increase of 39%. HDFC Bank recommended a dividend of 85% as against 70% in the previous year.

HDFC and HDFC Bank continue to maintain an arm's length relationship in accordance with the regulatory framework. Both organisations, however, capitalise on the strong synergies through a system of referrals, special arrangements and cross selling in order to effectively provide a wide range of products and services under the HDFC brand name.

As at March 31, 2008, HDFC together with its wholly owned subsidiaries, HDFC Investments Limited and HDFC Holdings Limited holds 23.27% of the equity share capital of HDFC Bank.

The shareholders of HDFC Bank have approved the Scheme of Amalgamation of Centurion Bank of Punjab Limited (CBoP) with HDFC Bank, subject to the receipt of the requisite approvals of the authorities. The share swap ratio is one equity share of Rs. 10 each of HDFC Bank for every twenty-nine equity shares of Re. 1 each of CBoP.

In the event of the amalgamation, for HDFC as a promoter to retain its present shareholding of 23.27% on the enhanced capital base of HDFC Bank, the shareholders of HDFC Bank at the EGM approved the issue of equity shares and/or convertible instruments such as

warrants convertible into equity shares at a price of Rs. 1,530.13 per equity share, for cash, on a preferential allotment basis in accordance with Chapter XIII of the SEBI (Disclosure & Investor Protection) Guidelines, 2000, to the Corporation and/or any of its wholly owned subsidiary companies.

HDFC Standard Life Insurance Company Limited (HDFC-SL)

During the year, the Corporation and Standard Life Assurance Co. plc (SLAC) realigned their shareholding in HDFC-SL with HDFC selling 7.15% of the equity of HDFC-SL to Standard Life (Mauritius Holdings) 2006 Limited at a price based on a pre-agreed basis. The Corporation realised a profit of Rs. 120.94 crores on the sale of this investment. Standard Life (Mauritius Holdings) 2006 Limited now holds 26% of the equity capital of HDFC-SL, which is the maximum allowed under the present regulations. SLAC and HDFC have also agreed that any future sale of shares by HDFC to Standard Life (Mauritius Holdings) 2006 Limited, if and when permitted by law would be at a fair value.

Gross premium income of HDFC-SL for the year ended March 31, 2008 stood at Rs. 4,859 crores as compared to Rs. 2,856 crores in the previous year – a growth of 70%. The cumulative sum assured in respect of policies issued increased to Rs. 87,439 crores from Rs. 67,193 crores last year.

The company has a portfolio of 20 retail products and 5 group products covering saving, investment, protection and retirement needs of the customers, along with five optional rider benefits.

HDFC-SL covers over 450 cities and towns in India through its 572 distribution points in the country with over 1,45,000 financial consultants appointed by the company. HDFC-SL also has 379 corporate agents and other sales intermediaries including banks for distribution of insurance products.

HDFC-SL has reported a loss of Rs. 243.51 crores for the year ended March 31, 2008. Like most life insurance companies in the initial

phase, HDFC-SL has reported losses. This is essentially due to the accounting norms applicable to insurance companies wherein the commission expenses are charged upfront in the year in which they are incurred while the corresponding income is recognised over the entire life of the policies issued. The mismatch between expenses and income has the effect of magnifying the initial losses of HDFC-SL.

HDFC holds 72.56% of the equity share capital in HDFC-SL.

HDFC Asset Management Company Limited (HDFC-AMC)

During the year under review, HDFC increased its stake in HDFC-AMC by acquiring 9.90% from Standard Life Investment Limited (SLI), the investment arm of SLAC for an aggregate consideration of Rs. 181.91 crores. Your Corporation and SLI remain co-sponsors of HDFC Mutual Fund.

As at March 31, 2008, HDFC-AMC managed 34 debt and equity oriented schemes of HDFC Mutual Fund. The total assets under management as at March 31, 2008 stood at Rs. 62,747 crores, (which is inclusive of Rs. 16,537 crores of assets under discretionary portfolio management/advisory services), as compared to Rs. 36,421 crores in the previous year. The number of investor accounts increased to over 30 lacs as at March 31, 2008 as compared to 21 lacs in the previous year.

As at March 31, 2008, HDFC-AMC has points of acceptances in 135 locations across the country.

For the year ended March 31, 2008, HDFC-AMC reported a profit after tax of Rs. 117.74 crores as against Rs. 67.54 crores in the previous year, representing a growth of 74%. HDFC-AMC recommended a final dividend of 150% as against a total dividend of 100% in the previous year.

HDFC holds 60% of the equity share capital of HDFC-AMC.

HDFC ERGO General Insurance Company Limited (HDFC-ERGO)

In May 2007, HDFC acquired the entire 26% shareholding of Chubb Global Financial Services Corporation, USA in HDFC Chubb General Insurance Company Limited and consequently, the company became a 100% subsidiary of HDFC. The company was renamed HDFC General Insurance Company Limited.

In October 2007, HDFC and ERGO International AG (ERGO), the primary insurance entity of Munich Re Group (Germany) entered into a joint venture, whereby HDFC sold a 26% equity stake of the company to ERGO, realising a profit of Rs. 202.07 crores. As a result of this new joint venture, the company is now called HDFC ERGO General Insurance Company Limited.

During the year, the Corporation subscribed to the rights issue of HDFC-ERGO amounting to Rs. 18.5 crores.

HDFC-ERGO offers motor insurance, commercial insurance, home insurance, group and retail accident and travel insurance and specialty insurance products.

Gross Written Premium for the year stood at Rs. 239.69 crores. While motor insurance accounts for a major share in the overall business, the company continues to diversify its business mix in favour of other products.

HDFC-ERGO distributes its products through its 28 branches across India and has an active agency and broker network. The company also continues to leverage on HDFC's distribution capability to drive retail sales growth.

During the year, the company made a loss of Rs. 17 crores. The loss for the year under review was primarily on account of a reduction in the premium rates due to de-tariffing and share of loss in Indian Third Party Motor Pool.

HDFC holds 74% of the equity share capital of HDFC-ERGO.

HDFC Property Funds

HDFC Venture Capital Limited (HVCL) is the investment manager to HDFC Property Fund, a registered venture capital fund with the Securities and Exchange Board of India (SEBI).

HDFC Property Fund currently has two schemes. The first scheme is HDFC India Real Estate Fund (HI-REF), with a corpus of Rs. 1,000 crores, which has been fully invested. The scheme has made investments in unlisted equity and equity-linked instruments of companies engaged in real estate activities such as large mixed developments, IT parks, residential projects and commercial offices. During the year, HI-REF also successfully divested from one of the investments.

The second scheme, HDFC IT Corridor Fund has a corpus of Rs. 446.40 crores. This scheme has disbursed the entire corpus in rental income yielding commercial properties in major cities in India.

During the year, HVCL made a profit after tax of Rs. 12.46 crores as compared to Rs. 11.35 crores in the previous year.

HDFC holds 80.5% of the equity share capital of HVCL.

HDFC Property Ventures Limited provides investment advisory services to overseas asset management companies (AMCs)/entities. Such AMCs/entities in turn manage and advise offshore private equity funds, having funds under management in excess of USD 800 million.

HDFC holds 100% of the equity share capital of HDFC Property Ventures Limited.

GRUH Finance Limited (GRUH)

GRUH is a housing finance company with operations primarily in the states of Gujarat and Maharashtra and is now expanding its network to other states like Karnataka, Madhya Pradesh, Rajasthan and Chhatisgarh.

During the year, GRUH disbursed loans amounting to Rs. 632.29 crores as against Rs. 474.21 crores in the previous year, representing a growth of 33%.

For the year ended March 31, 2008, GRUH reported a profit after tax of Rs. 42.34 crores as compared to Rs. 29.61 crores in the previous year - an increase of 43%. The company recommended a dividend of 40% as compared to 30% in the previous year.

HDFC's holding in GRUH currently stands at 61.5%.

HDFC Sales Private Limited (HSPL)

Home Loan Services India Private Limited was renamed as HDFC Sales Private Limited (HSPL) in order for customers to be able to identify with the HDFC brand. HSPL continues to strengthen the Corporation's marketing and sales efforts by providing a dedicated sales force to sell home loans and other financial products.

HSPL has a presence in 52 locations. During the period under review, HSPL sourced loans accounting for 40% of individual loans disbursed by HDFC.

HSPL is a wholly owned subsidiary of HDFC.

Particulars of Employees

HDFC had 1,445 employees as of March 31, 2008 (previous year 1,388). During the year, 24 employees employed throughout the year and 1 employee employed for part of the year were in receipt of remuneration of Rs. 24 lacs or more per annum.

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder, the names and other particulars of employees are set out in the annex to the Directors' Report. In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to all the shareholders of the Corporation excluding the annex. Any shareholder interested in obtaining a copy of the said annex may write to the company secretary at the registered office of the Corporation.

Employees Stock Option Scheme (ESOS)

Presently, stock options granted to the employees operate under three schemes, namely ESOS-02, ESOS-05 and ESOS-07.

ESOS-02 and ESOS-05

During the year, no options were granted under ESOS-02 and ESOS-05. The options were granted under ESOS-02 on October 17, 2002 and ESOS-05 on October 25, 2005, in accordance with the pricing formula approved

by you i.e. under ESOS-02 at the average of the closing price of the shares as quoted on the Bombay Stock Exchange Limited, during the period of one month preceding the date of grant and under ESOS-05 at the latest available closing price of the share at the National Stock Exchange of India Limited, prior to the date of the meeting of the Compensation Committee at which the options are granted. During the year 35,79,414 options were vested under ESOS-05. The number of options exercised during the year aggregated to 8,961 under ESOS-02 and 10,89,007 under ESOS-05 and the money realised due to exercise of the options was Rs. 99.69 crores. Consequently, 10,97,968 equity shares of Rs. 10 each have been allotted to the concerned employees.

During the year, 43,653 options have lapsed under ESOS-05. Options lapsed under ESOS-02 and ESOS-05 up to September 11, 2007, were granted afresh under ESOS-07. Options in force as on March 31, 2008 stood at 20,145 under ESOS-02 and 31,07,714 under ESOS-05. During the financial year under review, there has been no variation in the terms of the options granted earlier.

ESOS-07

At the thirtieth AGM held on June 27, 2007, you had approved the issue of 50,60,000 stock options representing 50,60,000 equity shares of Rs. 10 each to the employees and directors of the Corporation. The Compensation Committee of the Corporation at its meeting held on September 12, 2007, granted the said options along with 2,09,525 options lapsed under ESOS-02 and 1,87,310 options lapsed under ESOS-05, aggregating to 54,56,835 stock options, at an exercise price of Rs. 2,149 per option. The said price was determined in accordance with the pricing formula approved by you i.e. at the latest available closing price of the share at the National Stock Exchange of India Limited, prior to the date of the meeting of the Compensation Committee at which the options are granted. The options granted under ESOS-07 will vest over a period of 1 to 3 years from the date of grant, depending upon the option grantee completing a continuous

service of three years with the Corporation. The options are exercisable over a period of five years from the date of respective vesting. None of the options granted under ESOS-07 have vested during the year (and consequently, no options have been exercised). Under ESOS-07, as at March 31, 2008, 73,854 options have lapsed and 53,82,981 options are in force. Under ESOS-07, 11,87,000 options have been granted to 65 senior management employees, then in the grades of deputy general manager, general manager and senior general manager. The minimum number of options granted to any of these employees was 8,000.

The following employees were granted options in excess of 5% of the total grant: Mr. Deepak S. Parekh – Chairman was granted 4,00,000 options (7.33%) and Mr. Keki M. Mistry – Vice Chairman & Managing Director and Ms. Renu Sud Karnad – Joint Managing Director were each granted 3,00,000 options (5.50% each). These options were granted at Rs. 2,149 per option and in the aggregate represented 0.37% of the total issued and paid up share capital of the Corporation as on the date of the grant.

No employee was granted options equal to or in excess of 1% of the total issued and paid up share capital of the Corporation as on the date of grant. There has been no variation made during the year in the terms of the options granted earlier.

Listed below are disclosures in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, in respect of options granted after June 30, 2003, i.e. under ESOS-05 and ESOS-07:

Since options were granted at the market price, the intrinsic value of the option is nil. Consequently the accounting value of the option (compensation cost) was also nil. However, if the fair value of the options using the Black-Scholes model was used, considering the assumptions as of the date of grants, the compensation cost would have been Rs. 67.37 crores (gross Rs. 102.07 crores), the profit after tax would have been lesser by Rs. 67.37 crores

and basic and diluted EPS would have been Rs. 87.37 and Rs. 82.91 respectively.

The key assumptions used in Black-Scholes model for calculating the fair value under ESOS-07, as on the date of grant, are (a) risk-free interest rate: 7.70% (b) expected life: up to 2 years (c) expected volatility of share price: 19% and (d) expected growth in dividend: 20%. The market price of the equity share on the date of grant ranged from Rs. 2,125 to Rs. 2,170.

All the options under ESOS-07 were granted at an exercise price of Rs. 2,149 per option and hence the weighted average exercise price is Rs. 2,149 per option. The weighted average fair value of the option granted under ESOS-07 (using the Black-Scholes model) works out to Rs. 307.28.

The diluted earnings per share (EPS) is Rs. 85.28 against a basic EPS of Rs. 89.86.

Unclaimed Dividend

As at March 31, 2008, dividend amounting to Rs. 5.58 crores has not been claimed by shareholders of the Corporation. The Corporation has been intimating the shareholders to lodge their claim for dividend from time to time.

In accordance with the current regulations, unclaimed dividend amounting to Rs. 18.17 lacs for the financial year 1999-00 (second interim dividend) was transferred to the IEPF on July 14, 2007. Unclaimed dividend amounting to Rs. 22.98 lacs in respect of the financial year 2000-01 is due for transfer in August 2008. In terms of Section 205C of the Companies Act, 1956, no claim would lie against the Corporation or the said Fund after the said transfers.

Particulars Regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars regarding foreign exchange earnings and expenditure appear as Item No. 13 in the Notes to the Accounts. Since HDFC does not own any manufacturing facility the other particulars relating to conservation of energy and technology absorption as stipulated in the Companies (Disclosure of

Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

Directors

Dr. Vijay L. Kelkar, appointed as a special director of the Corporation in terms of Articles 125 and 126 of the Articles of Association of the Corporation resigned with effect from December 31, 2007, pursuant to his appointment as chairman of the Thirteenth Finance Commission, Government of India. The Board of Directors places on record its appreciation for the contribution made by Dr. Vijay L. Kelkar during his tenure as a director of the Corporation.

Dr. J. J. Irani was appointed as a special director of the Corporation in terms of Articles 125 and 126 of the Articles of Association of the Corporation with effect from January 18, 2008.

The Board of Directors appointed Dr. Bimal Jalan as an additional director of the Corporation with effect from April 30, 2008. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Dr. Bimal Jalan would hold office as a director of the Corporation up to the date of ensuing AGM. The Corporation has received a notice from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Dr. Bimal Jalan as a director of the Corporation, along with a deposit of Rs. 500 as required under the said Act.

The Board of Directors at its meeting held on October 29, 2007, re-designated Mr. Keki M. Mistry as the Vice Chairman & Managing Director and Ms. Renu Sud Karnad as the Joint Managing Director of the Corporation, with effect from the said date, without effecting any changes in the terms and conditions of their appointments, including remuneration.

The Board of Directors at its meeting held on April 30, 2008 re-appointed Ms. Renu Sud Karnad as the whole time director of the Corporation (designated as Joint Managing Director) for a period of 5 years with effect from May 3, 2008, subject to shareholders' approval at the ensuing AGM.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Corporation, Mr. D. M. Satwalekar, Mr. D. N. Ghosh and Dr. Ram S. Tarneja are liable to retire by rotation at the ensuing AGM. They are eligible for re-appointment.

Necessary resolutions for the appointment/re-appointment of the aforesaid directors have been included in the notice convening the ensuing AGM.

None of the directors of the Corporation are disqualified from being appointed as directors as specified in terms of Section 274 (1)(g) of the Companies Act, 1956.

Auditors

Messrs Deloitte Haskins & Sells, Chartered Accountants, statutory auditors of the Corporation and the branch auditors to audit the accounts at the Corporation's branches in India and office in London, hold office until the conclusion of the ensuing AGM and are eligible for re-appointment.

The Corporation has also received a confirmation from Messrs Deloitte Haskins & Sells to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Messrs Pannell Kerr Forster, Chartered Accountants, was appointed as the branch auditors to audit the accounts of the Corporation's branch office in Dubai. Their term expires at the end of the ensuing AGM and they are eligible for re-appointment.

Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 and based on the information provided by the management, your directors state that:

- In the preparation of annual accounts, the applicable accounting standards have been followed;
- Accounting policies selected were applied consistently. Reasonable and prudent

judgements and estimates were made so as to give a true and fair view of the state of affairs of the Corporation as at the end of March 31, 2008 and of the profit of the Corporation for the year ended on that date;

iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Corporation and for preventing and detecting frauds and other irregularities;

iv. The annual accounts of the Corporation have been prepared on a going concern basis.

Management Discussion and Analysis Report

In accordance with Clause 49 of the listing agreements, the Management Discussion and Analysis Report forms a part of this report.

Acknowledgements

The Corporation would like to acknowledge all its stakeholders and is grateful for the support received from shareholders, borrowers, depositors, key partners and banks. The directors appreciate the continued guidance received from various regulatory authorities including NHB, RBI, SEBI, Ministry of Corporate Affairs, Registrar of Companies, Maharashtra, the Stock Exchanges and the Depositories.

Your directors recognise and appreciate the sincere hard work, loyalty and efforts of the employees of the Corporation whose professionalism has ensured excellent all-round performance, despite the challenging environment. The employees remain the Corporation's most valuable assets and their work has enabled the Corporation to continue to be at the forefront of the financial services sector.

On behalf of the Board of Directors

MUMBAI
April 30, 2008

DEEPAK S. PAREKH
Chairman

Report of the Directors on Corporate Governance

Principles of corporate governance have become conventional wisdom with the realisation that it is a necessary tool for the economic health of a company and more importantly, for society at large. Implementation of governance practices, however, continue to vary between companies, nations and across regions. The driving force for an increasing number of companies today is adopting voluntary initiatives that improve relationships with all constituents – customers, shareholders and all other stakeholders. But beyond a company's direct web of relationships, the 'corporate conscience' has now taken centre stage wherein companies are differentiated on the basis of working conditions, environmental strategies and their response to community needs.

Governance norms have assumed greater significance in India with corporates having scaled up in size and ambition as they seek to establish a global footprint. Investors willingly attach a premium to well-governed companies. The upside of good governance is access to lower cost resources as well as better valuations. The Indian regulatory framework has ensured that the interests of stakeholders are well protected, though ultimately, the prime responsibility of good governance lies within an organisation and not outside it.

An effective corporate governance framework needs to be flexible to respond to changing market dynamics, yet it must be unwavering as regards its values and ethics. While designing and implementing governance processes, there is a need to ensure an effective mechanism of checks and balances with transparency and accountability as the hallmark.

Corporate Governance at HDFC

HDFC has always believed in forging and nurturing long-term relationships with its borrowers, depositors, agents, shareholders and other stakeholders. The Corporation's philosophy has been to maintain an open dialogue with all its key constituents, thereby ensuring transparency within its sphere of operations. The collective actions of the Corporation is a reflection of the tone of integrity, fairness and commitment to values as set by the Board of Directors, which percolates down to all its employees. The culture and mindset within the organisation is that of 'empowerment with accountability'.

HDFC strives to maintain a judicious balance between innovation and conservatism, governance and growth. These efforts are further corroborated by the Finance Asia survey 2007, where HDFC was ranked amongst the top three Indian companies with 'Best Governance Practices'.

The Board of Directors fully supports and endorses corporate governance practices in accordance with the provisions of Clause 49 of the listing agreements, as amended. The Corporation has complied with the mandatory requirements of the said Clause and listed below is the status with regard to the same.

Board of Directors

Composition

The Board of Directors comprises fifteen members, of which twelve are non-executive directors. The three executive directors include the Chairman, the Vice Chairman & Managing Director and the Joint Managing Director. Of the twelve non-executive directors, ten are independent directors. The independent directors have confirmed that they satisfy the criteria laid for an independent director as stipulated in Clause 49 (I) (A) (iii) of the listing agreements.

The directors bring to the board a wide range of experience and skills. Brief profiles of the directors are set out elsewhere in the annual report. None of the directors of the Corporation are related to each other. The composition of the board is in conformity with the listing agreements. Details of the Board of Directors in terms of their directorships/memberships in committees of public companies (excluding HDFC) are as under:

Sr. No.	Directors	No. of	No. of Committees	
		Directorships	Member	Chairperson
1	Mr. Deepak S. Parekh (Chairman)	11	7	5
2	Mr. Keshub Mahindra (Vice Chairman)	6	1	1
3	Mr. Shirish B. Patel	1	—	—
4	Mr. B. S. Mehta	14	9	5
5	Mr. D. M. Sukthankar	4	1	1
6	Mr. D. N. Ghosh	4	1	1
7	Dr. S. A. Dave	11	9	—
8	Mr. S. Venkitaramanan	3	1	—
9	Dr. Ram S. Tarneja	13	7	2
10	Mr. N. M. Munjee	14	10	4
11	Dr. Bimal Jalan ^(w.e.f. April 30, 2008)	—	—	—
12	Dr. J. J. Irani ^(w.e.f. January 18, 2008)	10	2	—
13	Mr. D. M. Satwalekar	6	2	2
14	Ms. Renu Sud Karnad (Joint Managing Director)	13	5	3
15	Mr. Keki M. Mistry (Vice Chairman & Managing Director)	11	7	3

Sr. Nos. 1, 14 and 15 are whole-time directors. In the case of whole-time directors, the number of directorships include directorships in HDFC group companies.

Sr. Nos. 2 to 11 are independent directors.

^ Dr. Bimal Jalan has been appointed as an additional director of the Corporation with effect from April 30, 2008 and holds office up to the date of the ensuing Annual General Meeting.

+ Dr. J. J. Irani has been appointed as a special director under Articles 125 and 126 of the Articles of Association of the Corporation.

Excluding the directorships mentioned above, Mr. Deepak S. Parekh is alternate director in 4 companies and Mr. B. S. Mehta in 1 company.

Tenure

The non-executive directors of the Corporation, as eligible, are liable to retire by rotation. One-third of the said directors are liable to retire every year and if eligible, offer themselves for re-appointment.

Responsibilities

The Board of Directors represents the interests of the Corporation's shareholders in optimising long-term value by providing the management with guidance and strategic direction on the shareholders' behalf. The board's mandate is to oversee the Corporation's strategic direction, review corporate performance, authorise and monitor strategic investments, ensure regulatory compliance and safeguard interests of all stakeholders.

Role of Independent Directors

Independent directors play a key role in the decision-making process of the board as they approve the overall strategy of the Corporation and oversee the performance of management. The independent directors are committed to acting in what they believe is in the best interest of the Corporation and its stakeholders.

The independent directors bring to the Corporation a wide range of experience, knowledge and judgement as they draw on their varied proficiencies in finance, housing, management, accountancy, law, public policy, engineering and corporate strategy. This wide knowledge of both, their field of expertise and boardroom practices helps foster varied, unbiased, independent and experienced perspectives. The Corporation benefits immensely from their inputs in achieving its strategic direction.

The Audit Committee and Compensation Committee consist entirely of independent directors. The Investors' Grievance Committee has a majority of non-executive directors. These committees function within their defined terms of reference in accordance with the Companies Act, 1956, the listing agreements and as approved by the Board of Directors. The minutes of these committee meetings are circulated and discussed at the board meetings.

Board members ensure that their work in other capacities do not impinge on their responsibilities as directors of HDFC.

Board Meetings

The meetings of the Board of Directors are normally held at the Corporation's registered office in Mumbai. Meetings are generally scheduled well in advance and the notice of each board meeting is given in writing to each director. The board meets at least once a quarter to review the quarterly performance and the financial results of the Corporation.

The company secretary in consultation with the Chairman and the Vice Chairman & Managing Director prepares a detailed agenda for the meetings. The board is provided with the information as stipulated in Clause 49 of the listing agreements. The board papers, agenda and other explanatory notes are circulated to the directors in advance. The members of the board have access to all information of the Corporation. The members of the board are also free to recommend inclusion of any matter in the agenda for discussion. Senior management is invited to attend the board meetings so as to provide additional inputs to the items being discussed by the board. The minutes of each board/committee meeting are recorded and draft minutes circulated to all directors for their confirmation before being recorded in the Minutes Book. The minutes of the board meetings of unlisted subsidiary companies of the Corporation are tabled at the board meetings. The board periodically reviews the statement of significant transactions and arrangements entered into by the unlisted subsidiary companies.

During the year under review, the board has met nine times on April 23, 2007, May 3, 2007, May 25, 2007, June 27, 2007, July 25, 2007, October 29, 2007, January 18, 2008, February 25, 2008 and March 26, 2008. The attendance of directors at the last Annual General Meeting and the above-mentioned board meetings, along with the sitting fees paid to them are listed below:

Directors	Board Meetings		Attendance at the 30th Annual General Meeting held on June 27, 2007
	Number of Meetings Attended	Sitting Fees Paid (Rs.)	
Mr. Deepak S. Parekh (Chairman)	9	—	Yes
Mr. Keshub Mahindra (Vice Chairman)	8	80,000	Yes
Mr. Shirish B. Patel	9	90,000	Yes
Mr. B. S. Mehta	8	80,000	Yes
Mr. D. M. Sukthankar	9	90,000	Yes
Mr. D. N. Ghosh	8	80,000	Yes
Dr. S. A. Dave	8	80,000	Yes
Mr. S. Venkitaramanan	4	40,000	Yes
Dr. Ram S. Tarneja	5	50,000	Yes
Mr. N. M. Munjee	5	50,000	Yes
Dr. Vijay L. Kelkar + (up to December 31, 2007)	4	40,000	Yes
Dr. J. J. Irani (w.e.f. January 18, 2008)	1	10,000	—
Mr. D. M. Satwalekar	8	80,000	Yes
Ms. Renu Sud Karnad (Joint Managing Director)	9	—	Yes
Mr. Keki M. Mistry (Vice Chairman & Managing Director)	9	—	Yes

Leave of absence was granted to directors who could not attend the respective board meetings.

+ Dr. Vijay L. Kelkar resigned as a special director of the Corporation pursuant to his appointment as the chairman of the Thirteenth Finance Commission, Government of India.

Board Committees

To enable better and more focused attention on the affairs of the Corporation, the board delegates particular matters to committees of the board set up for the purpose. These committees prepare the groundwork for decision-making and report at the subsequent board meeting.

Audit Committee

The Audit Committee solely comprises independent directors. The members of the committee are Dr. S. A. Dave (Chairman), Mr. B. S. Mehta and Mr. D. N. Ghosh. All the members of the committee are financially literate and have accounting and financial management expertise. The quorum for the meeting of the committee is two members. The company secretary is the secretary to the committee.

The terms of reference of the Audit Committee *inter alia* includes overseeing the Corporation's financial reporting process and disclosures of financial information. The prime responsibility of the Audit Committee is to review with the management, the quarterly/annual financial statements prior to recommending the same to the board for approval.

The committee also recommends to the board, the appointment or re-appointment of the statutory auditors and the audit fees payable. In addition, the committee approves payment of fees for other services rendered by the statutory auditors. The committee approves the appointment or re-appointment of internal auditors of the Corporation and the fees payable thereon.

The Audit Committee's functions include reviewing the adequacy of internal control functions and systems, its structure, reporting process, audit coverage and frequency of internal audits. The responsibility of the committee is to also review the findings of any internal investigation by the internal auditors in matters relating to suspected fraud or irregularity or failure in internal control systems of material nature and report the same to the board.

The committee reviews the reports of the internal and statutory auditors and ensures that adequate follow-up action is taken by the management on observations and recommendations made by the respective auditors. In addition, the committee annually reviews the performance of the internal and statutory auditors to ensure that an objective, professional and cost effective relationship is being maintained.

During the year under review, the committee *inter alia* reviewed the foreign currency and derivatives position of the Corporation, the management discussion and analysis report, the efficacy of the risk management framework along with risk mitigation measures; the statement of significant related party transactions and management letters issued by the statutory and internal auditors. The committee periodically reviews the financial statements and investments made by unlisted subsidiary companies of the Corporation. The committee also assesses matters as mandated under the Companies Act, 1956 and the listing agreements as and when applicable.

It is the Audit Committee's prerogative to invite senior executives whom it considers appropriate to be present at the meetings. Senior management and auditors are invited to participate in the meetings of the committee, as and when necessary.

During the year under review, the committee met five times. The meetings were held on May 3, 2007, July 25, 2007, October 26, 2007, January 18, 2008 and February 18, 2008. The committee also met on April 30, 2008, prior to the finalisation of the accounts for the financial year ended March 31, 2008. The Chairman of the Audit Committee was present at the 30th Annual General Meeting.

The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of Meetings	Sitting Fees Paid (Rs.)
	Attended	
Dr. S. A. Dave (Chairman)	5	50,000
Mr. B. S. Mehta	5	50,000
Mr. D. N. Ghosh	5	50,000

Compensation Committee

The Compensation Committee solely comprises independent directors. The members of the committee are Mr. Keshub Mahindra (Chairman), Mr. Shirish B. Patel and Mr. B. S. Mehta.

The terms of reference of the committee are to review and recommend compensation payable to the executive directors and also to formulate and administer the employee stock option schemes, including the review and grant of options to eligible employees under these schemes. The committee also ensures that the compensation policy of the Corporation provides performance-oriented incentives for senior management.

The annual compensation of executive directors is approved by the committee and is subject to the overall limits as approved by the shareholders. The commission payable to the non-executive directors is approved by the board and is subject to the overall limits as approved by the shareholders of the Corporation. During the year under review, the committee met four times on May 25, 2007, September 12, 2007, October 23, 2007 and March 26, 2008. The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of Meetings	Sitting Fees Paid (Rs.)
	Attended	
Mr. Keshub Mahindra (Chairman)	4	40,000
Mr. Shirish B. Patel	4	40,000
Mr. B. S. Mehta	4	40,000

Investors' Grievance Committee

The Investors' Grievance Committee comprises Dr. Ram S. Tarneja (Chairman), Mr. D. M. Satwalekar and Mr. Keki M. Mistry. The company secretary is the secretary to the committee. The company secretary in his capacity as 'compliance officer' is responsible for expediting the share transfer formalities.

The committee is mandated to oversee share transfers and review and redress shareholder complaints. The committee also reviews service standards and investor service initiatives undertaken by the Corporation. During the year under review, the committee met twice on August 9, 2007 and December 17, 2007.

The details of the attendance of the members of the committee along with sitting fees paid are listed below:

Members	Number of Meetings Attended	Sitting Fees Paid (Rs.)
Dr. Ram S. Tarneja (Chairman)	2	20,000
Mr. D. M. Satwalekar*	1	10,000
Mr. Keki M. Mistry	2	—

*Obtained leave of absence.

During the year the Corporation received a total of 1,632 correspondence *inter alia* relating to non-receipt/revalidation of dividend warrants, request for issue of duplicate share certificates, splitting/consolidation of share certificates, dematerialisation/rematerialisation of share certificates. Out of the said correspondence, 9 were in the nature of complaints received from shareholders, Stock Exchanges, SEBI and the Depositories. All the said correspondence/complaints were redressed within the service standards adopted by the Corporation. There was no unresolved investor complaint as at the end of the financial year.

The Corporation has been defending three cases filed by shareholders relating to disputes over title to shares. The Corporation is not in agreement with the claims made by the said shareholders and these cases are not material in nature.

No penalties or strictures have been imposed on the Corporation by any of the stock exchanges, SEBI or any statutory authority on any matter relating to capital markets.

Employees Stock Option Scheme (ESOS)

At the thirtieth Annual General Meeting held on June 27, 2007, the shareholders had approved the issue of 50,60,000 stock options representing 50,60,000 equity shares of Rs. 10 each under ESOS-07. The Compensation Committee at its meeting held on September 12, 2007, granted the said options along with 2,09,525 options lapsed under ESOS-02 and 1,87,310 options lapsed under ESOS-05, in all aggregating to 54,56,835 stock options, at an exercise price of Rs. 2,149 per option, being the latest available closing price on the National Stock Exchange of India Limited prior to the date of grant. The options will vest over a period of one to three years from the date of grant and are exercisable over a period of five years from the respective dates of vesting.

The disclosures in respect of each ESOS as required under Clause 12.1 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, have been made in the Directors' Report.

Code of Conduct

The Corporation has framed and adopted a Code of Conduct, which is approved by the Board of Directors. The code is applicable to all directors and senior management of the Corporation. This code has been posted on the Corporation's website, www.hdfc.com. For the year under review, all directors and senior management have confirmed their adherence to the provisions of the said code.

Share Dealing Code

The Corporation has in place a share dealing code, which has been framed in accordance with the model code of conduct for prevention of Insider Trading for listed companies as prescribed under Regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992. The said code is

applicable to all directors, employees and consultants of the Corporation. In terms thereof, all directors, employees and consultants are restricted from dealing in the securities of the Corporation during the 'restricted trading periods' notified by the Corporation, from time to time.

In compliance with the provisions of the said code, all designated employees of the Corporation have disclosed their dealings in the shares of the Corporation and obtained prior approval before dealing in shares of the Corporation in excess of prescribed limits under the said code. The said disclosures include their dealings in shares of the Corporation, changes in their shareholdings during the financial year and the position as at the end of the financial year.

Disclosures

Transactions with Non-Executive Directors

As at March 31, 2008, deposits held by non-executive directors amounted to Rs. 2.99 crores. The interest paid on these deposits during the year amounted to Rs. 24.44 lacs. The rate of interest on these deposits is the same as applicable to public deposits. The non-executive directors of the Corporation do not have any other material pecuniary relationships or transactions with the Corporation or its directors, its senior management, its subsidiary or associate companies, other than in the normal course of business.

Related Party Transactions

There were no materially significant related party transactions with the directors, the management, subsidiaries or relatives of the directors that have a potential conflict with the interests of the Corporation at large. Transactions with related parties entered into by the Corporation in the normal course of business were placed before the Audit Committee. There were no material individual transactions with related parties, which were not in the normal course of business nor were there any material transactions with related parties or others, which were not on an arm's length basis. Details of related party transactions entered into by the Corporation in the normal course of business are included in the Notes to the Accounts.

Accounting Standards

The Corporation has complied with the applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006.

Secretarial Standards

The Corporation has complied with the Secretarial Standards issued by the Institute of Company Secretaries of India, from time to time.

Risk Management

The Corporation has formulated a Risk Management Framework, which lays the procedures for risk assessment and mitigation. The Risk Management Committee (RMC) apprises the board of the key risks associated with the business of the Corporation and measures to mitigate the same. The RMC of the Corporation comprises the Joint Managing Director as the chairperson and members include senior management heading key functions of the Corporation.

During the year under review, the RMC reviewed key risks associated with the business of the Corporation, its root causes and the efficacy of the measures in place to mitigate the same. The Board of Directors also reviewed the procedures adopted by the Corporation to assess risks and their mitigation mechanisms.

Proceeds from Private Placement Issues

During the year under review, the Corporation issued non-convertible debentures. Details of these issues are provided in the Directors' Report. As specified in the respective offer documents, the funds were utilised for the purpose of on lending for housing finance. Details thereof were provided to the Audit Committee and Board of Directors.

The Corporation on a continuing basis has to contribute its share of equity to fund the growth of its subsidiaries and associate companies and accordingly proposed a preferential offer of equity shares. Pursuant to shareholders' approval at the last Annual General Meeting (AGM), the Corporation completed the issue and allotment of 1,80,00,000 equity shares of Rs. 10 each on a preferential basis, at a price of Rs. 1,730 per equity share, in accordance with Chapter XIII of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

Remuneration of Non-Executive Directors

The elements of the remuneration package of non-executive directors consists of sitting fees and commission. The payment of the annual commission to non-executive directors is based on the performance of the Corporation and is paid on a uniform basis to all the non-executive directors.

For the year ended March 31, 2008, the non-executive directors will be paid an amount of Rs. 5 lacs each as commission, pursuant to the approval of the board, which is within the overall limits as approved by the shareholders. Dr. Vijay L. Kelkar, however, will be paid an amount of Rs. 3.75 lacs as commission, being the proportionate amount up to the date of his resignation and Dr. J. J. Irani, will be paid an amount of Rs. 1.02 lacs, being the proportionate amount from the date of his appointment as a special director of the Corporation. During the year, each eligible non-executive director has been granted 10,000 stock options under ESOS-07. These options have not yet vested.

Given below, are the details of the total sitting fees paid to the non-executive directors during the year and their shareholding in the Corporation:

Name	Total Sitting Fees Paid (Rs.)	Shareholding as at March 31, 2008 (No. of shares)
Mr. Keshub Mahindra (Vice Chairman)*	1,20,000	57,500
Mr. Shirish B. Patel	1,30,000	41,500
Mr. B. S. Mehta	1,70,000	65,000
Mr. D. M. Sukthankar*	1,10,000	40,500
Mr. D. N. Ghosh	1,30,000	32,967
Dr. S. A. Dave*	1,30,000	53,783
Mr. S. Venkitaramanan	40,000	48,738
Dr. Ram S. Tarneja	70,000	71,500
Mr. N. M. Munjee*	50,000	14,280
Dr. Vijay L. Kelkar (up to December 31, 2007)	40,000	300
Dr. J. J. Irani (w.e.f. January 18, 2008)	10,000	—
Mr. D. M. Satwalekar	90,000	2,13,960

+ Includes sitting fees paid for attending two meetings of the Allotment Committee of Directors constituted for the preferential allotment of equity shares by the Corporation.

* In addition to the shares held as above, stock options of the following directors have vested but are unexercised under ESOS-05: 7,500 stock options each of Mr. Keshub Mahindra, Mr. D.M. Sukthankar and Dr. S. A. Dave and 10,000 stock options of Mr. N. M. Munjee.

Remuneration of Executive Directors

The executive directors of the Corporation have been appointed on a contractual basis in terms of the special resolution passed by the shareholders at the Annual General Meetings, for varying tenors of up to five years. The elements of the remuneration package of executive directors comprise salary, perquisites (equivalent to their respective annual salary), other benefits and, allowances (which includes use of Corporation's car (with driver) and telephones for the Corporation's business, house maintenance allowance, house rent allowance, leave travel allowance, contributions to provident funds, superannuation funds and provision towards post retirement pension schemes of the Corporation, other post-retirement benefits in the form *inter alia* of medical benefits and use of car and all other benefits as applicable to the directors or senior employees of the Corporation) and commission which is decided by the Compensation Committee within the overall limits as approved by the shareholders at the Annual General Meeting.

The annual increments of the executive directors are linked to their performance and are decided by the Compensation Committee. Service contracts and the notice period are as per the terms of agreement entered into by each executive director with the Corporation. The notice period for each executive director is six months and the Corporation does not pay any severance fees.

The board at its meeting held on October 29, 2007 re-designated Mr. Keki M. Mistry as the Vice Chairman & Managing Director and Ms. Renu Sud Karnad as the Joint Managing Director of the Corporation, with effect from the said date, without effecting any change in the terms and conditions of their appointments, including remuneration.

The details of remuneration paid/payable to the executive directors for the year under review are detailed as under:

Name	Salary (Rs.)	Perquisites, other allowances & retirement benefits (Rs.)	Commission payable 2007-08 (Rs.)	Total (Rs.)	No. of Stock Options Granted under ESOS-07	Present term expires on
Mr. Deepak S. Parekh	57,45,000	1,07,86,411	2,08,80,000	3,74,11,411	4,00,000	February 28, 2009
Mr. Keki M. Mistry	51,00,000	62,46,871	1,54,50,000	2,67,96,871	3,00,000	November 13, 2010
Ms. Renu Sud Karnad	47,10,000	63,53,089	1,42,50,000	2,53,13,089	3,00,000	May 2, 2008*

*Subject to the approval of shareholders, the Board of Directors has approved the re-appointment of Ms. Renu Sud Karnad for a period of 5 years with effect from May 3, 2008.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report forms part of the Directors' Report.

Communication and Relationships with Shareholders

The Corporation has over 1,07,000 shareholders. The main channel of communication to the shareholders is through the annual report which *inter alia* includes the Chairman's Statement, the Directors' Report, the Report of the Board of Directors on Corporate Governance, Management Discussion and Analysis Report, the Consolidated Group Accounts with Auditors' Report, Social Initiatives and Shareholders' Information.

The Annual General Meeting (AGM) is the principal forum for interaction with shareholders, where the board answers the specific queries raised by shareholders. The board acknowledges its responsibility towards its shareholders and therefore encourages open and active dialogue with all its shareholders – be it individuals, corporates or foreign investors.

The Corporation communicates with its institutional shareholders through meetings with analysts and discussions between fund managers and management. The Corporation also participates at investor conferences from time to time. The presentation made to analysts and fund managers is uploaded on the Corporation's website, www.hdfc.com. The 'Investors' section on the Corporation's website contains an array of information including frequently asked questions on dematerialisation, transfer of shares, issue of duplicate share certificates, nomination, deletion of names, transmission of shares, changes in electronic clearing system (ECS) details, transposition of names and other related information required by shareholders.

Regular communication with shareholders ensures that the Corporation's strategy is being clearly understood. Details relating to quarterly performance and financial results are disseminated to the shareholders through press releases on the Corporation's website. The financial results are also published in leading publications such as The Times of India, The Economic Times, Business Standard, The Hindu Business Line and Maharashtra Times.

In terms of Clauses 51 and 52 of the listing agreements, the Corporation has filed its annual report, quarterly results and shareholding pattern through the Electronic Data Information Filing and Retrieval System (EDIFAR) website of SEBI and Corporate Filing & Dissemination System (CorpFiling), effective from January 1, 2008. The company secretary of the Corporation has been appointed as the compliance officer to ensure the correctness and authenticity of all information filed on EDIFAR and CorpFiling. The quarterly results and the shareholding pattern of the Corporation are filed on EDIFAR/CorpFiling as soon as the same is disclosed to the stock exchanges.

Details of directors to be appointed/re-appointed at the thirty-first AGM are provided as an annex to the notice convening the said AGM. The annual report also contains a section on 'Shareholders' Information' which *inter alia* provides information relating to the AGM date, time and venue, shareholding pattern, distribution of shareholding, top shareholders, voting rights and the high and low monthly averages of the equity share price during the year and other information as required under Clause 49 of the listing agreements.

The management statement on the integrity and fair presentation of the financial statements is provided as a part of the annual report in the Management Discussion and Analysis Report.

Annual General Meetings (AGM)

The details of the last three AGMs are given below. All the AGMs were held at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020. No special resolution has been passed through postal ballot.

Financial Year	Meeting	Date	Time	No. of Special Resolutions passed
2004-05	28th AGM	July 15, 2005	3.30 p.m.	1
2005-06	29th AGM	July 18, 2006	3.00 p.m.	1
2006-07	30th AGM	June 27, 2007	3.00 p.m.	3

At the last AGM, shareholders of the Corporation holding in the aggregate 46.70% of the equity share capital had attended either in person or by proxy or through corporate representations as provided under Section 187 of the Companies Act, 1956.

Mandatory Requirements

The Corporation has complied with the mandatory requirements as stipulated under Clause 49 of the listing agreements.

Non-Mandatory Requirements

The Corporation has adopted the non-mandatory requirements as regards the provisions relating to the Compensation Committee. The quarterly financial results are extensively published in leading financial newspapers, uploaded on the Corporation's website and also sent to the shareholders on request. The Corporation affirms that no employee has been denied access to the Audit Committee. As regards the other non-mandatory requirements the board has taken cognisance of the same and may consider adopting the same as and when deemed appropriate.

Compliance

The Corporation has complied with the mandatory requirements as stipulated under Clause 49 of the listing agreements. The Corporation has submitted the compliance status report in the prescribed format to the stock exchanges within the prescribed time limit.

The Statutory Auditors have certified that the Corporation has complied with the mandatory requirements as stipulated under Clause 49 of the listing agreements. The said certificate is annexed to the Directors' Report and will be forwarded to the stock exchanges and the Registrar of Companies, Maharashtra along with the Annual Report.

Certification of Financial Reporting and Internal Controls

In accordance with Clause 49 V of the listing agreements, a certificate confirming the correctness of the financial statements, adequacy of internal control measures and matters to be reported to the Audit Committee of Directors was taken on record at the board meeting convened for approval of the annual financial results of the Corporation for the financial year under review.

Going Concern

The directors are satisfied that the Corporation has adequate resources to continue its business for the foreseeable future and consequently consider it appropriate to adopt the going concern basis in preparing the financial statements.

On behalf of the Board of Directors

MUMBAI
April 30, 2008

DEEPAK S. PAREKH
Chairman

I confirm that for the year under review, all directors and senior management have affirmed their adherence to the provisions of the Code of Conduct.

DEEPAK S. PAREKH
Chairman

Auditors' Certificate

TO THE MEMBERS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

We have examined the compliance of conditions of corporate governance by HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED for the year ended on 31st March, 2008, as stipulated in clause 49 of the Listing Agreement of the said Corporation with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Corporation for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Corporation.

given to us, we certify that the Corporation has complied with the conditions of corporate governance as stipulated in the abovementioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Corporation nor the efficiency or effectiveness with which the Management has conducted the affairs of the Corporation.

For DELOITTE HASKINS & SELLS
Chartered Accountants

In our opinion and to the best of our information and according to the explanations

MUMBAI
May 29, 2008

P. R. Ramesh
Partner
(Membership No. 70928)

Review of the Chairman of the Audit Committee of Directors

The Audit Committee of Directors comprises three independent directors. All the members of the committee have requisite management expertise in the fields of finance and accounts. The constitution and the terms of reference of the committee are in accordance with the relevant provisions of the Companies Act, 1956 and the listing agreements. The committee met five times during the financial year 2007-08.

The committee has reviewed with the management, the un-audited financial results of the Corporation for the quarters ended on June 30, 2007, September 30, 2007 and December 31, 2007, which were subject to limited review by the auditors of the Corporation and also the audited financial statements for the financial year 2007-08, before submitting the same to the board for its approval.

The committee reviewed the Corporation's financial reporting process and disclosures of its financial information to ensure that the financial statements were correct, sufficient and credible and reviewed with the management, *inter alia* the annual financial statements before submission to the board for approval with specific reference to matters required to be included in the directors responsibility statements in terms of Section 217 (2AA) of the Companies Act, 1956, changes, if any, in accounting policies and practices and reasons for the same, significant adjustments, if any, made in financial statements arising out of audit findings, compliance with listing and other legal requirements relating to financial statements and disclosure of related party transactions.

The committee at each of its meetings reviewed the reports submitted by the internal/statutory auditors of the Corporation in relation to all areas of operations as well as adequacy of systems and procedures of internal control and ensured that adequate follow-up action was taken by the management on observations and recommendations made by the said auditors.

The committee reviewed the adequacy of the internal audit function, the structure of the internal audit department, reporting structure, coverage and frequency of internal audit, the implementation of audit procedures and techniques, the financial reporting systems, management discussion and analysis report, statement of related party transactions, management letters issued by the statutory auditors and financial statements and investments made by the unlisted subsidiary companies of the Corporation.


The committee has noted that there was no instance of internal investigations by the internal auditors into matters where there was a suspected fraud or irregularity or failure of internal control system of a material nature or any instance of default in payments to depositors, debenture holders, shareholders or creditors.

The committee has also approved/ratified payments made to statutory auditors of the Corporation for other services rendered by them during the financial year 2007-08.

The committee has recommended to the board the re-appointment of Messrs Deloitte Haskins & Sells, Chartered Accountants, as statutory auditors of the Corporation for the purpose of audit of the Corporation's accounts at the head office, its branches in India, branch at London, United Kingdom and Messrs Pannell Kerr Forster, Chartered Accountants as branch auditors of the Dubai branch of the Corporation for the financial year 2008-09 as also their fees for rendering the said services.

MUMBAI
April 30, 2008

Report Junction.com



S. A. Dave
Chairman

Audit Committee of Directors

Review of the Chairman of the Investors' Grievance Committee of Directors

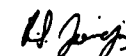
The Investors' Grievance Committee of Directors comprise of three directors, majority of them being non-executive. The committee met twice during the financial year 2007-08.

During the year, the committee reviewed the services provided by the in-house Investor Services Department of the Corporation and the adherence by it to the standard operating procedures and service standards adopted by the Corporation.

The committee also reviewed investor's grievances, the steps taken to redress the same and the status of the legal cases pending before courts against the Corporation.

The committee expresses its satisfaction over the systems and procedures followed by the Corporation for servicing its investors.

MUMBAI
April 9, 2008



Ram S. Tarneja
Chairman

Investors' Grievance Committee of Directors

Review of the Chairman of the Compensation Committee of Directors

The committee reviews the compensation payable to all senior executives of the Corporation. It also approves the remuneration payable to the whole-time directors of the Corporation within the overall limits approved by the shareholders.

During the financial year 2007-08, the committee met four times. The committee reviewed the performance of the whole-time directors and approved the revision in the remuneration payable to each one of them. The committee also reviewed the compensation payable to the other senior managerial personnel.

At the Annual General Meeting of the Corporation held on June 27, 2007, shareholders approved the issue of 50,60,000 stock options representing 50,60,000 equity shares of Rs. 10 each to all present and future employees and directors of the Corporation. While approving the said issue of stock options, the shareholders had also approved the broad terms and conditions of Employee Stock Option Scheme - 2007 (ESOS-07) under which the said options are to be granted.

The committee at its meeting held on September 12, 2007, granted the said options along with 2,09,525 options lapsed under ESOS-02 and 1,87,310 options lapsed under ESOS-05, aggregating to 54,56,835 stock options under ESOS-07, at an exercise price of Rs. 2,149 per option, being the closing price of the equity share of the Corporation at the National Stock Exchange of India Limited on September 11, 2007.

MUMBAI
April 30, 2008



Keshub Mahindra
Chairman

Compensation Committee of Directors

Management Discussion and Analysis Report

Macroeconomic Overview

The revised estimates by the Central Statistical Organisation has projected India's GDP growth for 2007-08 at 9%, down from 9.6% in the previous year. Nonetheless, given the deterioration in the global macro environment, India continues to be amongst the fastest growing nations, backed by robust growth in domestic consumption and investment. The services and industry sectors continue to drive the Indian economy, having grown at an estimated 10.8% and 8.5% respectively, while the agricultural sector grew at 4.5%. Direct tax collections were extremely buoyant during the year, having grown by over 40%.

The key concern for the economy is controlling inflation, with the wholesale price index having touched 7.4% for the week ended March 29, 2008, due to sharp increases in the price of oil and primary commodities.

Market Scenario

During the year under review, the repercussions of the US mortgage subprime crisis were still reverberating through the global financial system. The Indian housing finance sector remained insulated from the subprime crisis owing to various factors - first, housing finance products in India entail plain vanilla, amortising home loans as against interest only and other complex home loan products, secondly, the Indian financial system has limited exposure to highly leveraged structured products and thirdly, pre-emptive and timely measures were taken by the authorities such as increasing risk weights and provisioning requirements to prevent the formation of property and asset bubbles. Further, Indians are typically cautious and averse to high leverage and therefore prefer to prepay their loans as soon as they can.

The Indian housing market is facing an acute demand-supply mismatch with the housing shortage expected to rise to 26.53 million units by 2012 from the current shortage of 24.7 million units. It is further estimated that most of this shortage pertains to the economically weaker sections and low-income groups.

During the year, the National Housing Bank (NHB) issued operational guidelines for reverse mortgages. In addition, the Union Budget 2008-09 clarified certain taxation issues pertaining to a borrower under a reverse mortgage scheme. First, the loan amount received by the senior citizen will not be considered as income and thus would be exempt from income tax and secondly, the mortgage of the property will not be treated as a transfer and shall not attract capital gains tax.

During the year, the Reserve Bank of India has also finalised guidelines pertaining to setting up a mortgage guarantee company. These initiatives augur well for the development of the housing finance industry.

Interest Rate Scenario

For most part of the financial year, liquidity conditions remained reasonably comfortable. In line with interest rate movements in the economy, HDFC revised its Corporate Prime Lending Rate (CPLR) for non-individual loans twice during the year under review. The CPLR is a dynamic benchmark based on an index of money market instruments. HDFC revised its Retail Prime Lending Rate (RPLR) once during the year.

Approvals and Disbursements

Total approvals during the year stood at Rs. 42,520 crores as against Rs. 33,332 crores in the previous year, representing a growth of 28%. Disbursements during the year were Rs. 32,875 crores against Rs. 26,178 crores in the previous year representing a growth of 26%.

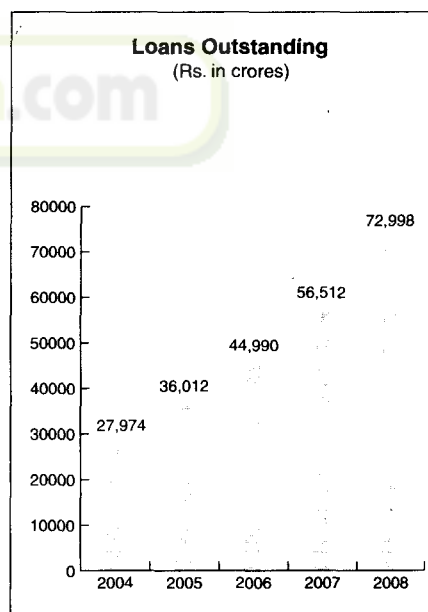
The growth in individual loan business continued to be strong during the year with individual loan approvals and disbursements registering a growth of 28% and 26% respectively over the previous year.

With increased affordability due to higher disposable incomes, the average size of individual loans increased during the year to Rs. 14 lacs.

Loan Portfolio

The loan approval process of HDFC is decentralised, with varying approval limits. Approval of lending proposals beyond certain limits is referred to the committee of management (COM). Larger proposals, as appropriate, are referred to the Board of Directors.

During the year, HDFC's loan book increased to Rs. 72,998 crores from Rs. 56,512 crores in the previous year. The net increase in the loan book of Rs. 16,486 crores has been determined after taking into account loan repayments of Rs. 15,819 crores (previous year Rs. 13,589 crores) and net loans written off during the year amounting to Rs. 18.40 crores (previous year Rs. 7.77 crores). The loan book, net of loans securitised has grown by 29% during the year.



The outstanding investments in debentures and corporate deposits for financing housing and real estate projects amounted to Rs. 1,106 crores as compared to Rs. 1,476 crores in the previous year.

The total portfolio as at March 31, 2008 (excluding loans securitised but inclusive of the aforesaid investment in debentures and corporate deposits) amounted to Rs. 74,104 crores compared to Rs. 57,988 crores in the previous year, an increase of 28%.

Marketing and Distribution

HDFC's distribution network spans 250 outlets, which include 52 offices of the wholly owned distribution company, HDFC Sales Private Limited (HSPL). In addition, HDFC covers over 90 locations through outreach programmes.

To ensure a wider geographic reach, third party channels form an integral part of the distribution network. Distribution channels sourcing loans for HDFC include HSPL, which provides HDFC with a dedicated sales force, HDFC Bank and third party direct selling agents (DSAs). Distribution channels only source loans, while HDFC continues to retain control over the credit, legal and technical appraisal, ensuring no compromise on the quality of loans disbursed.

Total loans sourced from distribution channels during the year accounted for 70% of individual loans disbursed by HDFC in value terms. The total commission payable to distribution channels amounted to Rs. 106.31 crores. The entire amount has been charged to the profit and loss account against fee income.

In order to cater to various segments of customers, having unique requirements and constraints, HDFC emphasised on thematic exhibitions and property fairs like the 'Budget Home Show' at Ghaziabad and Kalyan, 'Emerging Nashik' at Nashik, 'NRI Home Land' offered in Coimbatore, Salem, Erode and Palakkad for non-resident Indians (NRIs), amongst several others.

Cross-selling of financial products and services continued to form the cornerstone of HDFC's marketing strategy, thereby providing a wide range of financial services and products under the 'HDFC umbrella'. HDFC distributes insurance products under a referral fee programme with HDFC Standard Life Insurance Company Limited (HDFC-SL) and HDFC ERGO General Insurance Company Limited (HDFC-ERGO).

Investments

The Investment Committee constituted by the Board of Directors is responsible for approving

investment proposals in line with the limits as set out by the Board of Directors. The Executive Directors are members of the Committee.

The investment function supports the core business of housing finance. The investment mandate includes ensuring adequate levels of liquidity to support core business requirements, maintaining a high degree of safety and optimising the level of returns, consistent with acceptable levels of risk.

As at March 31, 2008, the investment portfolio stood at Rs. 6,915 crores as against Rs. 3,666 crores last year. This is inclusive of the investment made by the Corporation during the year in HDFC Bank Limited amounting to Rs. 1,390.11 crores. Investments in liquid funds stood at Rs. 1,332 crores, representing overnight deployment of surplus funds. The proportion of investments to total assets was 8%.

Housing Finance Companies (HFCs) are required to maintain a statutory liquidity ratio (SLR) in respect of public deposits raised. Currently the SLR requirement is 12.5% of public deposits. As at March 31, 2008, HDFC has invested Rs. 418 crores in bonds issued by National Housing Bank (NHB) and bank deposits and Rs. 539 crores in approved securities comprising government securities and government guaranteed bonds.

As at March 31, 2008, the treasury portfolio (excluding investments in equity shares) had an average balance period to maturity of 19 months. The average yield on the non-equity portfolio for the year was 11.79% per annum.

HDFC has classified its investments into current and long-term investments. The current investments have been entirely 'marked to market'. In respect of long-term investments, provisions have been made to reflect any permanent diminution in the value of investments. After considering the opening balance of Rs. 39.58 crores in the diminution in the value of investments account and the write back of provisions on account of investments sold, a net amount of Rs. 15.18

crores has been charged to the Provision for Contingencies account.

As at March 31, 2008, the market value of quoted investments was higher by Rs. 10,236 crores (previous year Rs. 6,948 crores) as compared to the value at which these investments are reflected in the balance sheet. This unrealised gain includes appreciation in the market value of investments held by HDFC's wholly owned subsidiaries, HDFC Investments Limited and HDFC Holdings Limited. The corresponding figure for unrealised gains as at April 30, 2008 stood at Rs. 12,036 crores.

Subsidiaries and Associates

Though housing remains the core business, HDFC has continued to make investments in its subsidiary companies. These investments are made in companies where there are strong synergies with HDFC. HDFC will continue to explore avenues for such investments with the objective of providing a wide range of financial services and products under the HDFC brand name.

During the year, HDFC made gross investments in the equity capital of its subsidiary companies, HDFC-SL (Rs. 346.45 crores) and HDFC-ERGO (Rs. 18.50 crores).

In June 2007, consequent to a preferential offer by HDFC Bank Limited (HDFC Bank), the Corporation acquired 1,35,82,000 shares of HDFC Bank for a consideration of Rs. 1,390.11 crores.

In October 2007, the Corporation and Standard Life Investments (SLI) realigned their shareholding in HDFC Asset Management Company Limited (HDFC-AMC). Accordingly, the Corporation increased its stake to 60% in HDFC-AMC by acquiring 9.9% from SLI.

During the year, the Corporation acquired the entire 26% of the equity of HDFC Chubb General Insurance Company Limited from Chubb Global Financial Services Corporation, USA, consequent to which the company became a wholly owned subsidiary of the Corporation.

In October 2007, HDFC and ERGO International AG (ERGO), the primary insurance entity of Munich Re Group (Germany) entered into a joint venture, whereby HDFC sold a 26% equity stake of the company to ERGO, realising a profit of Rs. 202.07 crores. As a result of this new joint venture, the company was named HDFC ERGO General Insurance Company Limited.

During the year, HDFC also divested its equity holding in the following subsidiary and associate companies: 7.15% of its equity holding in HDFC-SL in favour of Standard Life Assurance Company, UK for a profit of Rs. 120.94 crores and its entire shareholding in Intelenet Global Services Private Limited for a profit of Rs. 313.25 crores. As a result, Intelenet Global Services Private Limited ceased to be an associate of HDFC.

The aggregate profit on sale of investments in subsidiary and associate companies before tax stood at Rs. 636.26 crores for the year ended March 31, 2008. This has been reported as exceptional items in the financial statements.

The shareholding of HDFC (together with its nominees) in its key subsidiary and associate companies as at March 31, 2008 is as follows:

Company	Shareholding %
HDFC Developers Limited	100.0
HDFC Investments Limited	100.0
HDFC Holdings Limited	100.0
HDFC Trustee Company Limited	100.0
HDFC Realty Limited	100.0
HDFC Property Ventures Limited	100.0
HDFC Sales Private Limited	100.0
HDFC Ventures Trustee Company Limited	100.0
HDFC Venture Capital Limited	80.5
HDFC ERGO General Insurance Company Limited	74.0
HDFC Standard Life Insurance Company Limited	72.6
GRUH Finance Limited	61.5
HDFC Asset Management Company Limited	60.0
HDFC Bank Limited*	23.3

*(Includes shareholding of HDFC Investments Limited and HDFC Holdings Limited)

Recoveries

With effect from March 31, 2005, an asset is a non-performing asset (NPA) if the interest or instalment is overdue for 90 days as against the earlier norm where a loan was a NPA if the account was in arrears for over 6 months.

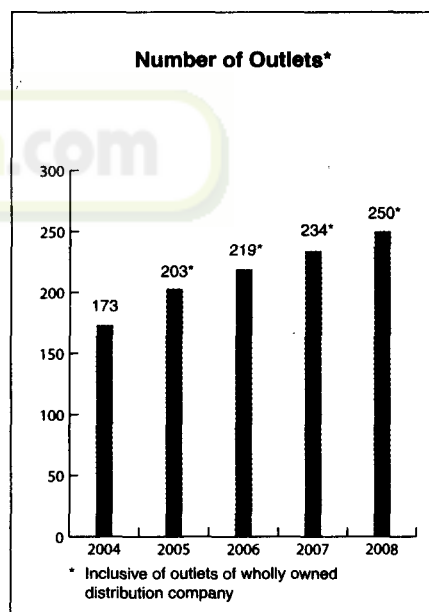
Despite a higher interest rate environment in India coupled with uncertain credit conditions due to deteriorating global asset quality, the Corporation continued to maintain a strong asset portfolio.

The principal loans outstanding (along with debentures and corporate deposits for financing real estate projects), where payments were in arrears for over 90 days amounted to Rs. 621.01 crores as at March 31, 2008, constituting 0.84% of the portfolio. The principal outstanding in respect of individual loans where the instalments were in arrears for over 90 days constituted 1.06% of the individual portfolio and the corresponding figure was 0.42% in respect of the non-individual portfolio. The net written-off on loans during the year was Rs. 18.40 crores. The total loans written-off since inception (net of subsequent recoveries) aggregated to

Rs. 66.64 crores. As at March 31, 2008, total loan write-offs stood at 4 basis points of cumulative disbursements since inception of the Corporation.

Provision for Contingencies

As per the prudential norms prescribed by NHB, HDFC is required to carry a provision of Rs. 224.91 crores as at March 31, 2008 in respect of non-performing assets and provisioning for standard non-housing assets. As a matter of prudence, however, over the years, HDFC has been transferring additional amounts to the provision for contingencies account including transfers from Special Reserve Account No. 1.



During the year, HDFC has utilised Rs. 22.05 crores (net) out of the balance in provision for contingencies on account of provision in diminution of value of investments and loan write-offs. After taking into account the transfers as well as the net utilisation, the balance in provision for contingencies as at March 31, 2008 stood at Rs. 470.30 crores.

Fixed Assets

Net fixed assets as at March 31, 2008 amounted to Rs. 208.49 crores (previous year Rs. 213.07 crores).

Subordinated Debt

During the year, the Corporation did not issue any subordinated debt. As at March 31, 2008, the Corporation's outstanding subordinated debt was Rs. 1,375 crores. The debt is subordinated to present and future senior indebtedness of the Corporation. Based on the balance term to maturity, as at March 31, 2008, Rs. 1,215 crores of the book value of subordinated debt is considered as Tier II under the guidelines issued by the National Housing Bank (NHB) for the purpose of capital adequacy computation.

Foreign Currency Convertible Bonds (FCCB)

In September 2005 the Corporation concluded the issue of US \$ 500 million zero coupon FCCB. The bonds are convertible at any time into equity shares of the Corporation of the face value of Rs.10 each up to July 29, 2010 at the option of the holders, at Rs.1,399 per equity share, representing a conversion premium of 50% over the initial reference share price. The premium payable on redemption of the bonds is charged to the Securities Premium Account over the life of the bonds.

As at March 31, 2008, the Corporation allotted 1,19,33,410 crores of equity shares of Rs. 10 each pursuant to the conversion of the FCCB, representing 76.4% of the bonds.

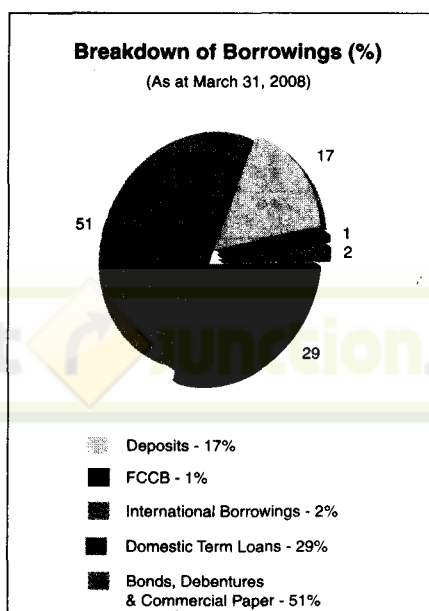
If the balance bonds are not converted within the above-mentioned conversion period, the remaining bondholders would have the right to redeem the outstanding bonds on September 27, 2010 at a yield to maturity of 4.62% per annum.

Borrowings

Borrowings as at March 31, 2008 amounted to Rs. 69,281 crores as against Rs. 57,193 crores in the previous year - an increase of 21%. Borrowings constituted 84% of funds employed as at March 31, 2008. Of the total borrowings, bonds and debentures and commercial paper constituted 51%, domestic term loans 29%, deposits 17%, international borrowings 2% and FCCB 1%.

Foreign Currency Borrowings

HDFC has in earlier years availed of foreign currency borrowings from ADB under the Housing Finance Facility Project - ADB II (USD 100 million), from the KfW (DM 25 million and Euro 15.33 million), from DEG, a member of the KfW Group of Germany (USD 50 million) and from International Finance Corporation (IFC), Washington (USD 200 million).



Deposits

As at March 31, 2008, outstanding deposits stood at Rs. 11,296 crores as against Rs. 10,384 crores in the previous year. The depositor base stood at approximately 8 lac depositors.

CRISIL and ICRA have for the thirteenth consecutive year, reaffirmed their 'AAA' rating for HDFC's deposits. This rating represents 'highest safety' as regards timely repayment of principal and interest.

HDFC pays brokerage to agents who mobilise retail deposits. The brokerage is linked to the amount and the period of deposit and is paid upfront for the full term of the deposit. In addition, agents who achieve certain collection targets are paid an incentive every year. In line

with international accounting standards, HDFC has been amortising the brokerage, proportionately over the term of the deposit. Incentive brokerage is being fully charged to the profit and loss account in the year of payment.

Purchase and Sell-Down of Loans

During the year, the Corporation purchased individual loan portfolios from originators amounting to Rs. 1,147 crores. These loans were purchased after the Corporation cherry-picked and undertook due diligence of the retail loan portfolios. The assignment of all right, title and interest, along with the underlying security of the purchased portfolios are in favour of the Corporation.

The Corporation also sold a part of its loan portfolio amounting to Rs. 550 crores. These loans have been assigned to the purchasers. The Corporation, however, continues to hold the security of these loans on a pari passu basis with the purchaser.

Mortgage-Backed Securities (MBS)

During the year, the Corporation did not enter into any fresh securitisation transactions. The total MBS outstanding as at March 31, 2008 stood at Rs. 2,071 crores. HDFC continues to service the loans sold under the MBS issues. These issues carry a rating indicating the highest degree of safety. To date, loans aggregating to Rs. 3,610 crores have been sold by the Corporation through the issue of MBS.

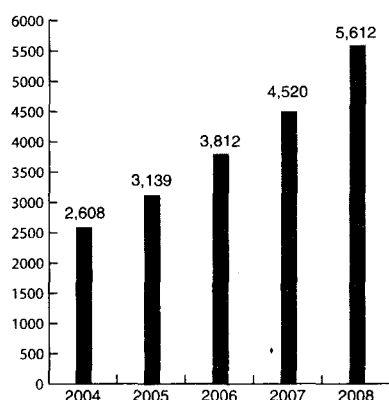
The residual income on loans securitised and sold is being recognised at the time of actual collections, (i.e. over the life of the underlying loans) and not upfront on a net present value basis.

Domestic Term Loans

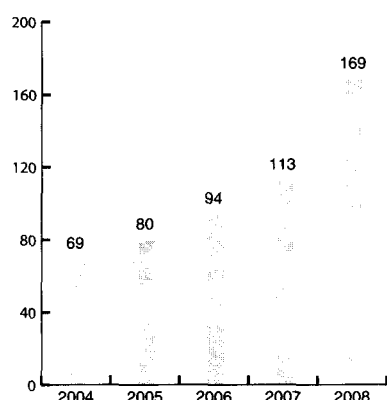
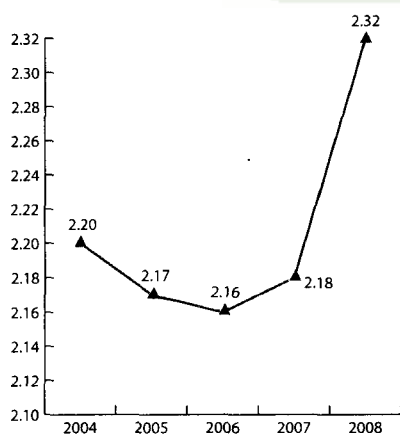
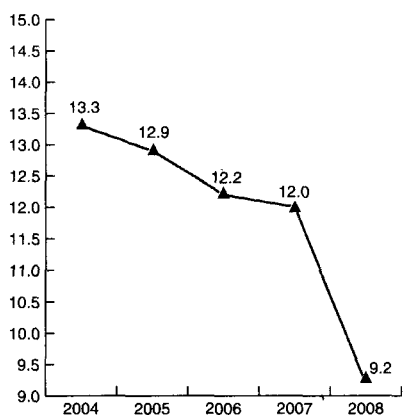
During the year, HDFC raised loans from commercial banks aggregating to Rs. 8,803 crores. Out of this, loans amounting to Rs. 3,867 crores qualify for priority sector allocation. HDFC raised a further Rs. 2,860 crores from the banking sector as FCNR (B) loans.

Assets per Employee

(Rs. in Lacs)

**Profit per Employee**

(Rs. in Lacs)

**Spread on Loans (%)****Cost Income Ratio (%)**

As at March 31, 2008, the total loans outstanding from banks, financial institutions and the National Housing Bank amounted to Rs. 19,669 crores as compared to Rs. 19,963 crores as at March 31, 2007.

Non-Convertible Debentures (NCDs)

During the year, the Corporation issued NCDs amounting to Rs. 16,245 crores on a private placement basis. The Corporation's NCD issues

have been listed on the Wholesale Debt Market segment of the National Stock Exchange of India Limited (NSE). The Corporation's NCDs have the highest rating of 'AAA' by both CRISIL and ICRA.

Risk Management

The Financial Risk Management and Hedging Policy as approved by the Audit Committee sets limits for exposures on currency and

interest rates. HDFC manages its interest rate and currency risk in accordance with the guidelines prescribed. The risk management strategy has been to protect against foreign exchange risk, whilst at the same time exploring any opportunities for an upside, so as to keep the maximum all-in cost on the borrowing in line with or lower than the cost of a borrowing in the domestic market for a similar maturity.

HDFC has to manage various risks associated with the mortgage business. These risks include credit risk, liquidity risk, foreign exchange risk and interest rate risk. HDFC manages credit risk through stringent credit norms. Liquidity risk and interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of the maturity profiles.

HDFC has from time to time entered into risk management arrangements in order to hedge its exposure to foreign exchange and interest rate risks. The currency risk on the borrowings is actively hedged through a combination of dollar denominated assets, long term forward contracts, principal only swaps (POS), full currency swaps and currency options.

As at March 31, 2008, the Corporation had foreign currency borrowings (excluding FCCB) of USD 1,079.58 million equivalent. The Corporation has undertaken principal only swaps, currency options and forward contracts on a notional amount of USD 808 million equivalent to hedge against foreign currency risk. Further, interest rate swaps on a notional amount of USD 230 million equivalent are outstanding and have been undertaken to hedge the interest rate risk on the foreign currency borrowings. As at March 31, 2008, the Corporation's net foreign currency exposure on borrowings net of risk management arrangements was USD 447.13 million.

As a part of asset liability management and on account of the increasing response to

HDFC's Adjustable Rate Home Loan product as well as to reduce the overall cost of borrowings, HDFC has entered into interest rate swaps wherein it has converted its fixed rate rupee liabilities of a notional amount of Rs. 12,265 crores as at March 31, 2008 for varying maturities into floating rate liabilities linked to various benchmarks. In addition, HDFC has entered into cross currency swaps of a notional amount of USD 652 million equivalent wherein it has converted its rupee liabilities into foreign currency liabilities and the interest rate is linked to benchmarks of the respective currencies.

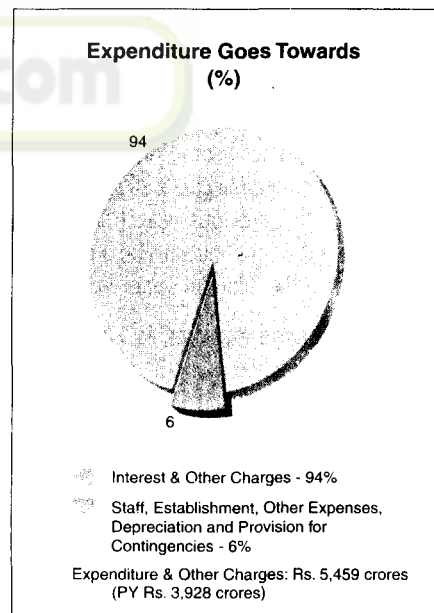
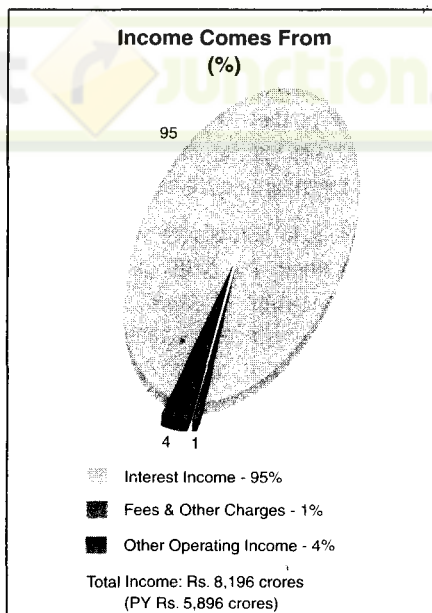
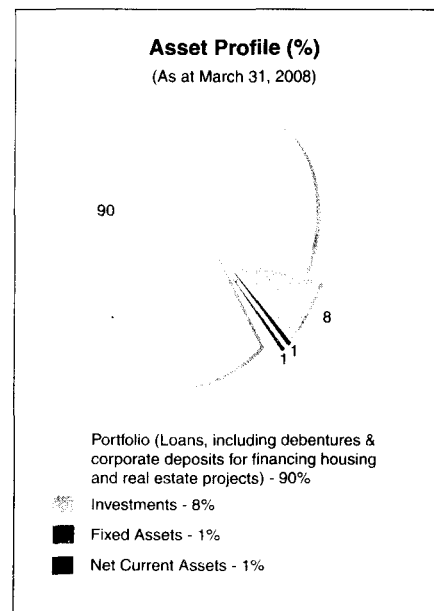
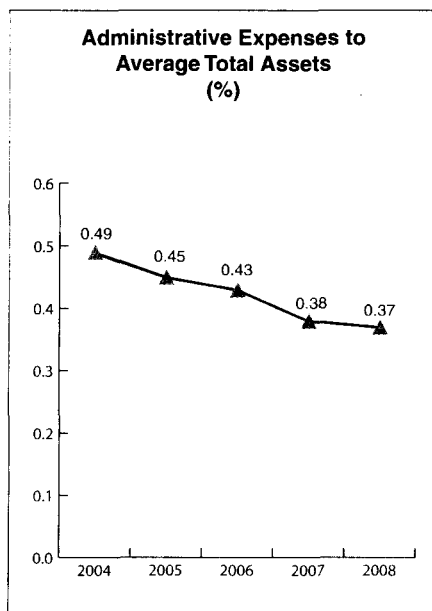
The total net long term foreign currency exposure inclusive of cross currency swaps is USD 571 million. The long-term open position (excluding FCCB) is at 3.3% of the total borrowings of HDFC.

Assets and liabilities in foreign currency are revalued at the rates of exchange prevailing at the end of the year. The reduced liability, net of risk management arrangements of Rs. 8.67 crores arising out of revaluing the outstanding loans at the year-end (based on the prevailing exchange rate) has been credited to the Provision for Contingencies Account.

In accordance with past practice, the Corporation has not recognised a net gain of Rs. 293.59 crores on mark to market of derivatives (other than those covered by Accounting Standard 11) in its Profit and Loss Account. This is also in accordance with the recent announcement by The Institute of Chartered Accountants of India on accounting for derivatives.

Asset-Liability Management

As at March 31, 2008, assets and liabilities with maturity up to 1 year amounted to Rs. 26,928 crores and Rs. 26,665 crores respectively. Asset and liabilities with maturity of between 2 years and 5 years amounted to Rs. 38,010 crores and Rs. 35,114 crores respectively and assets and liabilities with maturity beyond 5 years



amounted to Rs. 19,482 crores and Rs. 22,641 crores respectively.

HDFC does not generally take an interest rate mismatch. As at March 31, 2008, 81% of the assets and 77% of the liabilities were on a floating rate basis.

Internal Audit and Control

HDFC has instituted adequate internal control systems commensurate with the nature of its

business and the size of its operations. Internal audit is carried out by independent firms of chartered accountants and cover all the offices and key areas of business. All significant audit observations and follow-up actions thereon are reported to the Audit Committee. The Audit Committee comprises three independent directors. The committee met five times during the financial year under review.

Profit and Loss Account

Key elements of the profit and loss account for the year ended March 31, 2008 are:

- Profit before tax grew by 71% and profit after tax grew by 55%. Excluding the exceptional items, profit before tax grew by 41% and profit after tax grew by 26%.
- Income tax provision (net of deferred tax asset of Rs. 12 crores) and provision for Fringe Benefit Tax for the year amounted to Rs. 937.25 crores as compared to Rs. 397.40 crores in the previous year. The effective tax rate is 27.8% as compared to 20.2% in the previous year.
- Pre-tax return on average assets excluding exceptional items was 3.8% and the post-tax return on average assets excluding exceptional items was 2.7%.
- Return on equity is 27.8% in the current year.
- HDFC's cost to income ratio is 9.2% for the year ended March 31, 2008 as against 12% in the previous year. HDFC's cost income ratio continues to be among the lowest in the financial sector in Asia.
- Administrative expenses, as a percentage of average assets was 0.37% as at March 31, 2008 as against 0.38% in the previous year.
- For the year ended March 31, 2008, a dividend of Rs. 25 per share is being recommended as against Rs. 22 per share in the previous year. HDFC would be paying the distribution tax and education cess on the dividend declared.
- The dividend payout ratio will be 34%. If the exceptional items are excluded, the dividend payout ratio will be 43%.

Spread on Loans

The average yield on loan assets during the year was 11.25% per annum as compared to 9.67% per annum in the previous year. The average all-inclusive cost of funds was 8.93% per annum as compared to 7.49% per annum in the previous year. The spread on loans over the cost of borrowings for the year was 2.32% per annum as against 2.18% per annum in the previous year.

Prudential Norms for Housing Finance Companies (HFCs)

NHB has issued guidelines to HFCs on prudential norms for income recognition, provisioning, asset classification, provisioning for bad and doubtful debts, capital adequacy and concentration of credit/investments. HDFC's position with respect to the guidelines is as follows:

- HDFC's capital adequacy ratio stood at 16.8% of the risk weighted assets, (of which Tier 1 capital was 14.6%) as against the minimum requirement of 12%.
- HDFC is in compliance with the limits prescribed by NHB in respect of concentration of credit, exposure to investment in real estate and capital market exposure other than on its investment in HDFC Bank. The Corporation has made a representation to NHB requesting for exemption of its investment, as a promoter in HDFC Bank from the capital market exposure limits.

Human Resources

Human resources are HDFC's most valuable assets. The efficiency of HDFC's staff is evident from the fact that, the number of offices increased from 41 in 1998 to 198 (excluding offices of HSPL) currently as against the

number of employees which increased from 806 to 1,445 during the same period.

Total assets per employee as at March 31, 2008 stood at Rs. 56.12 crores as compared to Rs. 45.20 crores in the previous year and net profit per employee as at March 31, 2008 was Rs. 169 lacs as compared to Rs. 113 lacs in the previous year.

Audited Consolidated Accounts

In accordance with the accounting standards prescribed by the Institute of Chartered Accountants of India, the consolidated financial statements comprise the individual financial statements of the Corporation together with its subsidiaries which are consolidated on a line-by-line basis and its associates which are accounted on the equity method.

Like most life insurance companies in the initial phase, HDFC-SL has reported losses. This is essentially due to the accounting norms applicable to insurance companies wherein the commission expenses are charged upfront in the year in which they are incurred while the corresponding income is recognised over the entire life of the policies issued. The mismatch between expenses and income has the effect of magnifying the initial losses of HDFC-SL.

On a consolidated basis, the total income for the year ended March 31, 2008 was Rs. 8,819.42 crores as compared to Rs. 6,393.19 crores in the previous year. Profit before tax was Rs. 3,405.89 crores as compared to Rs. 1,928.79 crores in the previous year. Profit after tax was Rs. 2,713.00 crores as compared to Rs. 1,741.98 crores in the previous year, representing a growth of 55.74%. Consolidated return on equity was 28.19%.

Auditors' Report

TO THE MEMBERS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

1. We have audited the attached Balance Sheet of **HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED** as at March 31, 2008, the Profit and Loss Account and the Cash Flow Statement of the Corporation for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, (CARO) 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters

specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) in our opinion, proper books of account as required by law have been kept by the Corporation so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the Dubai Branch not visited by us;

(c) the report on the accounts of the Dubai Branch audited by the Branch Auditors has been forwarded to us and has been dealt with by us in preparing this report;

(d) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and the audited Branch returns;

(e) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

(f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Corporation as at March 31, 2008;

(ii) in the case of the Profit and Loss Account, of the profit of the Corporation for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows of the Corporation for the year ended on that date.

5. On the basis of the written representations from the directors, taken on record by the Board of Directors as on March 31, 2008, none of the directors is disqualified as on March 31, 2008 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.

For DELOITTE HASKINS & SELLS
Chartered Accountants

P. R. Ramesh
Partner

MUMBAI
April 30, 2008

(Membership No. 70928)

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

(i) The nature of the Corporation's business/activities during the year is such that clauses (ii), (viii) and (xiii) of CARO, 2003 are not applicable.

(ii) In respect of its fixed assets:

(a) The Corporation has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. There is also a system of periodic physical verification of leased assets by the Management, the frequency of which is reasonable. According to the information and explanations given to us no material discrepancies were noticed on such verification.

(iii) In respect of loans, secured or unsecured, granted by the Corporation to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) The Corporation has granted loans to twenty three parties. At the year end, the outstanding balances of such loans granted aggregated to Rs. 413,35,32,595 (number of parties – ten) and the maximum amount involved during the year was Rs. 547,37,88,021.

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Corporation.

(c) The receipt of principal amounts and interest during the year has been regular/ as per stipulations.

(iv) In respect of loans, secured or unsecured, taken by the Corporation from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) The Corporation has taken loans from forty five parties. At the year-end, the outstanding balances of such loans taken aggregated to Rs.1439,10,48,742 (number of parties – forty) and the maximum amount involved during the year was Rs.1904,54,71,463.

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Corporation.

(c) The payment of principal amounts and interest in respect of such loans during the year has been regular/as per stipulations.

(v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Corporation and the nature of its business for the purchase of fixed assets and for the sale of services. During the course of our audit, we have not observed any major weakness in such internal controls.

(vi) To the best of our knowledge and belief and according to the information and explanations given to us, there were no contracts or arrangements [excluding items reported under paragraphs (iii) and (iv) above] that needed to be entered in the Register

maintained under Section 301 of the Companies Act, 1956.

(vii) In our opinion and according to the information and explanations given to us, the Corporation has complied with the provisions of Sections 58 and 58AA of the Companies Act, 1956 and the Housing Finance Companies (NHB) Directions, 2001, with regard to the deposits accepted from the public.

(viii) In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the Management have been commensurate with the size of the Corporation and the nature of its business.

(ix) According to the information and explanations given to us, in respect of statutory dues:

(a) The Corporation has generally been regular in depositing undisputed dues including Provident Fund, Investor Education and Protection Fund, Income-tax, Sales-tax, Wealth Tax, Service Tax, Cess and any other material dues with the appropriate authorities during the year.

(b) There were no undisputed amounts payable on account of the above dues, outstanding as at March 31, 2008 for a period of more than six months from the date they became payable.

(c) Details of disputed Sales-tax, Wealth Tax and Interest on Lease Tax which have not been deposited as on March 31, 2008 on account of any dispute are given below:

Particulars	Financial Year to which the matter pertains	Forum where matter is pending	Amount (Rupees)
Sales Tax	1994-1995, 1999-2000, 2002-2003	Commissioner of Sales Tax (Appeals)	3,53,197
Wealth Tax	1997-1998, 1998-1999	Commissioner of Income Tax (Appeals)	9,03,852
Interest on Lease Tax	1999-2000	Commissioner of Sales Tax (Appeals)	2,20,794

(x) The Corporation does not have any accumulated losses. The Corporation has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Corporation has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.

(xii) In our opinion the Corporation has maintained adequate documents and records where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Corporation is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the CARO, 2003 are not applicable to the Corporation.

(xiv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Corporation for loans taken by others

from banks are not *prima facie* prejudicial to the interests of the Corporation.

(xv) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Corporation were, *prima facie*, applied by the Corporation during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.

(xvi) According to the information and explanations given to us, and on the basis of the maturity profile of assets and liabilities with a residual maturity of one year, as given in the Asset Liability Management Report, funds raised on short term basis have, *prima facie*, not been used for long term investment.

(xvii) The Corporation has made a preferential allotment of shares on exercise of options granted in earlier years under the ESOP Schemes to parties covered in the Register maintained under section 301 of the Companies Act, 1956. The prices at which such shares are allotted are consequently not *prima facie* prejudicial to the interests of the Corporation.

(xviii) According to the information and explanations given to us and the records examined by us, securities / charges have been created in respect of all debentures issued.

(xix) During the period covered by our audit report, the Corporation has not raised any money by public issues.

(xx) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Corporation and no material fraud on the Corporation was noticed or reported during the year, although there have been few instances of loans becoming doubtful of recovery consequent upon fraudulent misrepresentation by borrowers, the amounts whereof are not material in the context of the size of the Corporation and the nature of its business and which have been provided for.

For DELOITTE HASKINS & SELLS
Chartered Accountants

P. R. Ramesh
Partner
(Membership No. 70928)

MUMBAI
April 30, 2008

Balance Sheet as at March 31, 2008

	Schedule	Rupees	Rupees	March 31, 2007 Rupees
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	284,03,40,700		253,00,26,920
Reserves and Surplus	2	11663,30,76,848		5298,39,20,514
			11947,34,17,548	5551,39,47,434
LOAN FUNDS	3		69151,21,84,526	57193,03,00,496
			81098,56,02,074	62744,42,47,930
APPLICATION OF FUNDS				
LOANS	4		72997,94,46,905	56512,36,33,668
INVESTMENTS	5		6915,00,98,445	3666,23,26,107
DEFERRED TAX ASSET [Note 26]			146,63,90,179	123,10,13,449
CURRENT ASSETS, LOANS AND ADVANCES	6	4152,44,44,020		5056,55,33,090
Less : CURRENT LIABILITIES AND PROVISIONS	7	3321,97,17,872		2826,89,98,029
NET CURRENT ASSETS			830,47,26,148	2229,65,35,061
FIXED ASSETS	8			
Gross Block		488,56,75,147		493,10,42,945
Less : Depreciation		280,07,34,750		280,03,03,300
Net Block			208,49,40,397	213,07,39,645
			81098,56,02,074	62744,42,47,930
Notes forming part of the Accounts	14			
Significant Accounting Policies	15			
Schedules 1 to 15 annexed hereto form part of the Balance Sheet and the Profit and Loss Account.				

As per our report attached.

For Deloitte Haskins & Sells
Chartered Accountants

P. R. Ramesh
Partner

Deepak S. Parekh
Chairman

Keki M. Mistry
Vice Chairman &
Managing Director

Renu Sud Karnad
Jt. Managing Director

Directors
Keshub Mahindra
S. B. Patel
B. S. Mehta
D. N. Ghosh
S. A. Dave
D. M. Sukthankar
R. S. Tarneja
D. M. Satwalekar
N. M. Munjee
J. J. Irani
Bimal Jalan

Girish V. Koliyote
Company Secretary

MUMBAI, April 30, 2008.

Profit and Loss Account for the year ended March 31, 2008

	Schedule	Rupees	Previous Year Rupees
INCOME			
Operating Income	9	8113,12,67,390	5773,93,68,471
Fees and Other Charges		63,21,89,957	68,57,50,598
Other Income		19,70,92,500	20,76,12,295
		8196,05,49,847	5863,27,31,364
EXPENDITURE AND CHARGES			
Interest and Other Charges	10	5142,87,89,893	3666,84,72,137
Staff Expenses	11	117,79,53,212	91,26,84,562
Establishment Expenses	12	30,31,14,522	25,74,70,444
Other Expenses	13	119,23,85,291	102,15,42,339
Depreciation and Amortisation		16,59,71,528	17,45,63,793
Provision for Contingencies [Note 18(iii)]		32,00,00,000	25,00,00,000
		5458,82,14,446	3928,47,33,275
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		2737,23,35,401	1934,79,98,089
Exceptional Items [Note 11 (ii)]		636,26,27,006	32,98,47,923
PROFIT BEFORE TAX		3373,49,62,407	1967,78,46,012
Less : Provision for Tax [Note 26]		935,00,00,000	395,00,00,000
Less : Provision for Fringe Benefit Tax		2,25,00,000	2,40,00,000
PROFIT AFTER TAX AVAILABLE FOR APPROPRIATION		2436,24,62,407	1570,38,46,012
APPROPRIATIONS:			
Special Reserve No. II		355,00,00,000	466,00,00,000
General Reserve		999,47,06,394	368,17,34,255
Additional Reserve (u/s 29C of the NHB Act)		245,00,00,000	80,00,00,000
Shelter Assistance Reserve		6,00,00,000	5,00,00,000
Proposed Dividend [Rs. 25/- per Share (Previous Year Rs. 22/- per Share)]		710,09,49,625	556,61,45,354
Additional Tax on Dividend		120,68,06,388	94,59,66,403
		2436,24,62,407	1570,38,46,012
EARNINGS PER SHARE (Face Value Rs. 10) [Note 25] :			
- Basic		89.86	62.65
- Diluted		85.28	58.25

Notes forming part of the Accounts

Significant Accounting Policies

Schedules 1 to 15 annexed hereto form part of the Balance Sheet and the Profit and Loss Account.

As per our report attached.

For Deloitte Haskins & Sells
Chartered Accountants

P. R. Ramesh
Partner

Deepak S. Parekh
Chairman

Keki M. Mistry
Vice Chairman &
Managing Director

Renu Sud Karnad
Jt. Managing Director

Directors
Keshub Mahindra
S. B. Patel
B. S. Mehta
D. N. Ghosh
S. A. Dave
D. M. Sukthankar
R. S. Tarneja
D. M. Satwalekar
N. M. Munjee
J. J. Irani
Bimal Jalan

Girish V. Koliyote
Company Secretary

MUMBAI, April 30, 2008.

Cash Flow Statement for the year ended March 31, 2008

	Rupees	Previdus Year Rupees
A] CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and extraordinary items	3373,49,62,407	1967,78,46,012
Adjustments for:		
Depreciation	16,59,01,033	24,90,49,833
Provision for Contingencies	32,00,00,000	25,00,00,000
Employee Stock Option Expense (Net of options exercised)	(47,941)	(21,63,559)
Provision for Employee Benefits	13,52,47,703	11,59,98,710
Profit on Sale of Investments	(769,52,01,619)	(316,01,24,881)
Surplus from deployment in Cash Management Schemes of Mutual Funds	(111,77,55,103)	(38,76,36,426)
Profit on Sale of Properties acquired in satisfaction of debts	—	(9,27,18,803)
Profit on Sale of Properties acquired and leased	—	(1,56,51,834)
Profit on Sale of Fixed Assets	(75,72,712)	(4,26,07,276)
Operating Profit before Working Capital changes	2553,55,33,768	1659,19,91,776
Adjustments for:		
Current Assets	(124,94,64,191)	47,08,31,461
Current Liabilities	421,97,62,661	371,75,73,092
Cash generated from operations	2850,58,32,238	2078,03,96,329
Advance tax paid	(951,17,52,902)	(429,04,71,130)
Net cash from operating activities	1899,40,79,336	1648,99,25,199
B] CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(15,74,34,360)	(25,99,85,521)
Sale of Fixed Assets	6,76,93,384	38,13,89,712
	(8,97,40,976)	12,14,04,191
Consideration received towards protection of expected loss on shares (SICAL)	14,78,62,597	—
Investments in Subsidiaries	(582,36,53,670)	(211,24,17,411)
Investments in Cash Management Schemes of Mutual Funds	(57660,00,00,000)	(40145,00,00,000)
Other Investments	(2211,90,16,657)	(352,31,87,875)
Sale Proceeds of Properties acquired and leased	—	14,39,98,205
Sale Proceeds of Investments :		
- in subsidiary companies	473,73,58,307	5,66,35,633
- in Cash Management Schemes of Mutual Funds	56690,77,55,103	40556,76,36,426
- in other companies	903,81,11,904	702,02,71,794
Net cash (used in) / from investing activities	(2380,13,23,392)	582,43,40,963
C] CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital - Equity	31,03,13,780	3,44,26,740
Securities Premium	4688,90,25,874	288,92,51,588
Premium paid on FRNs and NCDs	(74,19,47,035)	(2,39,50,000)
Borrowings (Net)	12088,35,87,839	9838,76,73,316
Loans disbursed (Net)	(16506,22,83,100)	(11530,05,97,681)
Corporate Deposits (Net)	313,88,20,600	(84,56,73,000)
Dividend paid	(556,61,45,354)	(499,12,78,660)
Tax paid on Dividend	(94,59,66,403)	(70,00,26,832)
Shelter Assistance Reserve - utilisation	(5,42,68,159)	(4,68,21,904)
Net cash used in financing activities	(114,88,61,958)	(2059,69,96,433)
Net (Decrease)/Increase in cash and cash equivalents	(595,61,06,014)	171,72,69,729
Cash and cash equivalents as at the beginning of the year (As per Schedule 6)	1373,34,56,516	1201,61,86,787
Cash and cash equivalents as at the end of the year (As per Schedule 6)	777,73,50,502	1373,34,56,516
	(595,61,06,014)	171,72,69,729

As per our report attached.

Deepak S. Parekh
Chairman

Directors
Keshub Mahindra
S. B. Patel
B. S. Mehta
D. N. Ghosh
S. A. Dave
D. M. Sukthankar
R. S. Tarneja
D. M. Satwalekar
N. M. Munjee
J. J. Irani
Bimal Jalan

For Deloitte Haskins & Sells
Chartered Accountants

Keki M. Mistry
Vice Chairman &
Managing Director

P. R. Ramesh
Partner

Renu Sud Karnad
Jt. Managing Director

Girish V. Koliyote
Company Secretary

MUMBAI, April 30, 2008.

Schedules

Annexed to and forming part of the Accounts

Schedule 1

SHARE CAPITAL

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
AUTHORISED		
32,50,00,000 Equity Shares of Rs. 10 each (Previous Year 27,50,00,000 Equity Shares of Rs. 10 each)	325,00,00,000	275,00,00,000
	325,00,00,000	275,00,00,000
ISSUED AND SUBSCRIBED		
28,40,37,985 Equity Shares of Rs. 10 each (Previous Year 25,30,06,607 Equity Shares of Rs. 10 each)	284,03,79,850	253,00,66,070
	284,03,79,850	253,00,66,070
PAID-UP		
28,40,37,985 Equity Shares of Rs. 10 each (Previous Year 25,30,06,607 Equity Shares of Rs. 10 each) (Includes 12,19,60,713 Equity Shares of Rs. 10 each, allotted as fully paid-up Bonus Shares out of Securities Premium Account and Capital Redemption Reserve)	284,03,79,850	253,00,66,070
Less : Allotment money due	39,150	39,150
	284,03,40,700	253,00,26,920

Schedule 2

RESERVES AND SURPLUS [Notes 14, 16(ii), 18(iii), 19 and 20]

	Rupees	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
SPECIAL RESERVE No. I			
Opening Balance	51,23,14,700		64,35,24,700
Less : Transfer to Provision for Contingencies	—		13,12,10,000
[(Net of Deferred Tax of Rs. Nil) (Previous Year Rs. 21,87,90,000)]			
		51,23,14,700	51,23,14,700
SPECIAL RESERVE No. II			
Opening Balance	2140,95,00,000		1674,95,00,000
Add : Transfer from Profit and Loss Account	355,00,00,000		466,00,00,000
		2495,95,00,000	2140,95,00,000
GENERAL RESERVE			
Opening Balance	2162,93,46,895		1802,32,82,620
Add : Adjusted during the year in accordance with the Accounting Standard on Employee Benefits (AS 15) (Revised 2005)	5,42,82,987		—
[(Net of Deferred Tax of Rs. 2,73,81,270) (Previous Year Rs. Nil)]			
Less : Utilised in accordance with the Accounting Standard on Employee Benefits (AS 15) (Revised 2005)	—		7,56,69,980
[(Net of Deferred Tax of Rs. Nil) (Previous Year Rs. 3,83,93,903)]			
	2168,36,29,882		1794,76,12,640
Add : Transfer from Profit and Loss Account	999,47,06,394		368,17,34,255
		3167,83,36,276	2162,93,46,895
Carried forward		5715,01,50,976	4355,11,61,595

Schedule 2 (Continued)**RESERVES AND SURPLUS** [Notes 14, 16(ii), 18(iii), 19 and 20]

	Rupees	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
Brought forward		5715,01,50,976	4355,11,61,595
ADDITIONAL RESERVE (u/s 29C of the NHB Act, 1987)			
Opening Balance	80,00,00,000		—
Less : Utilised during the year	27,72,42,000		—
[(Net of Deferred Tax of Rs. 14,27,58,000) (Previous Year Rs. Nil)]			
	52,27,58,000		—
Add : Transfer from Profit and Loss Account	245,00,00,000		80,00,00,000
		297,27,58,000	80,00,00,000
SECURITIES PREMIUM			
Opening Balance	851,96,33,527		665,93,15,131
Add : Received during the year	4688,90,25,874		288,92,51,588
Add : Premium payable on FCCB written back on conversion	119,17,29,833		—
	5660,03,89,234		954,85,66,719
Less : Utilised during the year	20,90,30,654		102,89,33,192
		5639,13,58,580	851,96,33,527
EMPLOYEE STOCK OPTION OUTSTANDING			
Opening Balance	1,55,717		23,19,276
Add : Net Charge for the year	—		(2,07,911)
	1,55,717		21,11,365
Less : Options exercised	47,941		19,55,648
		1,07,776	1,55,717
SHELTER ASSISTANCE RESERVE			
Opening Balance	11,25,55,800		10,93,77,704
Add : Transfer from Profit and Loss Account	6,00,00,000		5,00,00,000
	17,25,55,800		15,93,77,704
Less : Utilised during the year	5,42,68,159		4,68,21,904
		11,82,87,641	11,25,55,800
CAPITAL RESERVE		4,13,875	4,13,875
		11663,30,76,848	5298,39,20,514

Schedule 3**LOAN FUNDS** [Notes 1 to 6 and 24(ii)]

	Rupees	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
LOANS			
Asian Development Bank	377,90,98,638		399,41,19,050
DEG - Deutsche Investitions-Und Entwicklungsgesellschaft MbH	180,67,50,000		220,27,25,000
International Finance Corporation	863,09,00,000		886,61,00,000
Kreditanstalt für Wiederaufbau	68,19,11,034		71,13,28,963
Syndicated Loans - International	—		442,98,31,785
Carried forward	1489,86,59,672		2020,41,04,798

Schedule 3 (Continued)

LOAN FUNDS [Notes 1 to 6 and 24(ii)]

	Rupees	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
Brought forward	1489,86,59,672		2020,41,04,798
National Housing Bank	719,74,00,938		486,38,65,324
Scheduled Banks and Financial Institutions	16863,20,14,500		18131,82,39,400
Others (Finance Lease)	—		70,495
		19072,80,75,110	20638,62,80,017
FOREIGN CURRENCY CONVERTIBLE BONDS (Redeemable in 2010) (Unsecured)	516,33,32,000		2179,34,20,000
BONDS (Redeemable at par between 2008 and 2022)	110,97,50,000		113,62,50,000
DEBENTURES			
Non-convertible Debentures	32552,90,00,000		18481,35,00,000
Floating Rate Notes - International (Redeemable in 2007)	—		435,10,00,000
		32552,90,00,000	
Under a Line from Kreditanstalt für Wiederaufbau (Unsecured)	41,17,36,192		41,17,36,192
Loans from Scheduled Banks (Unsecured) - Short Term	2085,77,89,728		1344,39,26,519
Commercial Paper (Unsecured)	2100,00,00,000		2200,00,00,000
Non-Convertible Subordinated Debentures (Unsecured)	1375,00,00,000		1375,00,00,000
DEPOSITS (Unsecured)	11278,23,31,599		10369,35,33,080
Interest Accrued and Due	18,01,69,897		15,06,54,688
		11296,25,01,496	
		69151,21,84,526	57193,03,00,496

Schedule 4

LOANS [Note 7]

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
Individuals	48378,13,58,576	37362,44,61,430
Corporate Bodies	22771,95,04,540	17858,50,79,105
Others	1847,85,83,789	1291,40,93,133
	72997,94,46,905	56512,36,33,668

Note :

Investments in Debentures, Pass Through Certificates, Security Receipts and Corporate Deposits amounting to **Rs. 1106,28,97,268** (Previous Year Rs.1475,68,89,896) are towards financing Real Estate Projects. The Debentures, Pass Through Certificates and Security Receipts are reflected in Schedule 5 and the Corporate Deposits are shown under Current Assets in Schedule 6.

Schedule 5
INVESTMENTS (At Cost)

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
Equity Shares - Subsidiaries and Associate Companies	2952,55,76,650	1242,53,90,779
Equity Shares - Other Companies	909,00,20,002	644,68,68,714
Convertible Preference Shares	58,96,46,730	—
Preference Shares - Subsidiary and Others	32,51,90,400	49,04,40,400
Convertible Debentures	—	2,07,87,300
Debentures and Bonds - for Financing Real Estate Projects	248,12,20,000	334,12,20,000
Debentures and Bonds - Others	226,07,88,400	172,13,38,400
Pass Through Certificates and Security Receipts - for Financing Real Estate Projects	111,96,28,868	108,91,09,896
Pass Through Certificates and Security Receipts - Others	9,95,78,000	—
Government Securities	309,25,15,000	321,65,15,000
Mutual Funds	1400,92,07,809	391,97,85,533
Venture Funds and Other Funds	568,22,39,657	293,85,50,874
Properties (Net of Depreciation)	142,20,72,997	144,81,34,474
	6969,76,84,513	3705,81,41,370
Less : Provision for Diminution in Value of Investments	54,75,86,068	39,58,15,263
	6915,00,98,445	3666,23,26,107

	Book Value Rupees	Market Value Rupees
Aggregate of Quoted Investments	2200,56,87,502	8554,83,75,530
Previous Year	(581,73,75,599)	(4778,36,87,653)
Aggregate of Investments listed but not quoted	319,25,15,000	
Previous Year	(343,65,15,000)	
Aggregate of Investments in Unquoted Mutual Funds (Refer Note 2 below)	1379,84,70,385	1375,02,20,310
Previous Year	(384,34,48,208)	(360,30,28,880)
Aggregate of Unquoted Investments (Others)	2873,13,52,561	
Previous Year	(2211,68,52,826)	
Properties	142,20,72,997	
Previous Year	(144,81,34,474)	
	6915,00,98,445	
Previous Year	(3666,23,26,107)	

Schedule 5 (Continued)

INVESTMENTS (At Cost)

	Number of Shares	Face Value per Share Rupees	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
Equity Shares - Subsidiaries and Associate Companies				
(fully paid)				
Subsidiaries				
GRUH Finance Ltd. *	2,13,07,785	10	60,74,00,667	60,74,00,667
HDFC Asset Management Co. Ltd. (24,90,939 shares acquired)	1,50,96,600	10	235,88,41,633	53,97,62,370
HDFC Developers Ltd.	50,000	10	5,00,000	5,00,000
HDFC ERGO General Insurance Co. Ltd. (Formerly HDFC Chubb General Insurance Co. Ltd.) (3,25,00,000 shares acquired & sold & subsequently 1,85,00,000 rights shares acquired)	11,10,00,000	10	112,23,29,014	92,50,00,000
HDFC Holdings Ltd.	8,00,070	10	2,40,00,700	2,40,00,700
HDFC Investments Ltd. (60,00,000 shares offered for buyback)	2,66,70,500	10	66,14,29,706	81,02,30,000
HDFC Property Ventures Ltd.	10,00,000	10	1,00,00,000	1,00,00,000
HDFC Realty Ltd.	57,50,070	10	5,31,38,347	5,31,38,347
HDFC Sales Pvt. Ltd. (Formerly Home Loan Services India Pvt. Ltd.) (13,36,632 shares acquired)	40,10,000	10	4,01,66,853	2,67,67,096
HDFC Standard Life Insurance Co. Ltd. (26,60,63,696 (net) shares acquired)	92,22,76,000	10	922,27,60,000	656,21,23,040
HDFC Trustee Co. Ltd.	1,00,000	10	10,00,000	10,00,000
HDFC Venture Capital Ltd.	4,02,500	10	40,25,000	40,25,000
HDFC Ventures Trustee Co. Ltd.	50,000	10	5,00,000	5,00,000
			1410,60,91,920	956,44,47,220
Associate Companies				
HDFC Bank Ltd. *	5,24,42,000	10	1540,76,81,180	150,66,40,000
(1,35,82,000 shares acquired)				
India Value Fund Advisors Pvt. Ltd.	8,80,425	10	88,04,250	88,04,250
Indian Association for Savings and Credit	2,99,930	10	29,99,300	29,99,300
Intelenet Global Services Pvt. Ltd.	—	—	—	134,25,00,009
			1541,94,84,730	286,09,43,559
			2952,55,76,650	1242,53,90,779
* listed shares				
Equity Shares - Other Companies				
(fully paid)				
Unlisted :				
AEC Cements and Constructions Ltd.	2,80,000	10	28,00,000	28,00,000
Asset Reconstruction Co. (India) Ltd.	11,66,000	10	2,43,80,000	2,43,80,000
Bajaj Auto Ltd. (Refer Note 5 below)	31,700	10	35,42,048	—
Bajaj Finserv Ltd. (Refer Note 5 below)	31,700	5	34,42,529	—
Bhartiya Samruddhi Finance Ltd.	—	—	—	50,00,000
Chalet Hotels Ltd.	1,00,00,000	10	35,00,00,000	35,00,00,000
Computer Age Management Services Pvt. Ltd. (10,40,730 shares sold)	18,39,270	10	2,05,38,515	3,21,60,000
Credit Information Bureau (India) Ltd.	25,00,000	10	2,50,00,000	2,50,00,000
Feedback Ventures Pvt. Ltd. (5,73,190 shares acquired)	18,10,515	10	8,96,72,140	3,23,53,140
Carried forward			51,93,75,232	47,16,93,140

Schedule 5 (Continued)

INVESTMENTS (At Cost)

	Number of Shares	Face Value per Share Rupees	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
Brought forward			51,93,75,232	47,16,93,140
First Choice Wheels Ltd. (Formerly Automartindia Ltd.)	26,23,084	10	3,99,80,835	3,99,80,835
GVFL Ltd.	1,50,000	10	27,75,000	27,75,000
IL&FS Education & Technology Services Ltd. (20,78,730 shares acquired on conversion)	44,78,730	10	14,07,87,300	12,00,00,000
INCAB Industries Ltd.	76,188	10	23,24,884	23,24,884
Infrastructure Development Corporation (Karnataka) Ltd.	1,50,000	10	15,00,000	15,00,000
Infrastructure Leasing & Financial Services Ltd.	1,40,49,500	10	94,70,35,429	94,70,35,429
IPFonline Ltd.	1,55,560	10	4,04,45,600	4,04,45,600
IVF Advisors Pvt. Ltd.	2,000	10	50,000	—
Kesoram Textile Mills Ltd.	22,258	2	—	—
L&T Urban Infrastructure Ltd. (1,41,94,137 shares acquired)	1,49,00,000	10	19,85,61,395	5,66,20,025
Lafarge India Pvt. Ltd.	2,33,33,336	10	50,00,00,040	50,00,00,040
Maruti Countrywide Auto Financial Services Pvt. Ltd.	1,48,00,000	10	14,80,00,000	14,80,00,000
MIEL e-Security Pvt. Ltd.	1,11,112	10	4,11,11,440	4,11,11,440
National Stock Exchange of India Ltd.	73,750	10	21,44,09,698	—
Next Gen Publishing Ltd.	12,11,760	10	1,69,96,320	1,69,96,320
Novacel Life Sciences Ltd.	7,50,000	10	75,00,000	75,00,000
OCM India Ltd. (19,69,994 shares acquired)	22,56,295	10	3,41,48,880	9,48,580
PPN Power Generating Co. Pvt. Ltd.	25,00,020	100	27,50,02,200	27,50,02,200
Precision Automation & Robotics India Ltd.	5,02,488	10	1,21,28,110	1,21,28,110
Prize Petroleum Co. Ltd.	9,99,900	10	99,99,000	99,99,000
Sicagen India Ltd. (Refer Note 4 below)	7,22,388	10	7,22,09,904	—
Softcell Technologies Ltd.	4,99,702	10	2,59,84,504	2,59,84,504
SolutionNET India Pvt. Ltd.	2,64,000	10	96,00,000	96,00,000
SICOM Ltd.	6,07,200	10	4,85,76,000	4,85,76,000
Tamil Nadu Urban Infrastructure Financial Services Ltd.	1,50,000	10	15,00,000	15,00,000
Tamil Nadu Urban Infrastructure Trustee Co. Ltd.	15,000	10	1,50,000	1,50,000
			331,01,51,771	277,98,71,107
Listed :				
ACC Ltd. (Formerly The Associated Cement Companies Ltd.) (1,00,000 shares sold)	1,55,000	10	4,56,12,756	7,50,40,340
Ambuja Cements Ltd. (Formerly Gujarat Ambuja Cements Ltd.) (3,00,000 shares sold)	5,64,000	2	2,80,86,510	4,30,26,142
Andhra Cements Ltd.	59,99,700	10	19,22,90,385	—
Axis Bank Ltd. (Formerly UTI Bank Ltd.) (1,03,000 shares acquired)	3,93,584	10	10,21,89,207	3,90,32,254
Bajaj Holdings & Investment Ltd. (Refer Note 5 below)	31,700	10	90,66,890	1,60,51,467
BEML Ltd. (Refer Note 8 below)	8,690	10	1,03,53,486	—
Bharat Bijlee Ltd.	97,480	10	44,23,228	44,23,228
Bharat Heavy Electricals Ltd. (59,000 (net) shares acquired, 4,40,901 bonus shares received)	7,92,302	10	72,44,98,329	42,04,42,690
Brigade Enterprises Ltd.	2,06,068	10	8,03,66,520	—
Cairn India Ltd.	3,12,480	10	4,99,96,800	4,99,96,800
Cipla Ltd.	—	—	—	5,84,16,923
Carried forward			124,68,84,111	70,64,29,844

Schedule 5 (Continued)

INVESTMENTS (At Cost)

	Number of Shares	Face Value per Share Rupees	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
Brought forward			124,68,84,111	70,64,29,844
Chambal Fertilizers & Chemicals Ltd.	13,30,831	10	2,02,25,023	2,02,25,023
Coromandel Fertilisers Ltd.	6,66,665	2	—	—
Development Credit Bank Ltd.	40,47,926	10	16,89,06,600	16,89,06,600
Great Offshore Ltd.	1,10,000	10	43,63,409	43,63,409
Hindustan Oil Exploration Co. Ltd. (64,43,341 rights shares acquired)	1,48,26,303	10	105,49,79,958	30,11,09,061
Hindustan Unilever Ltd. (Formerly Hindustan Lever Ltd.)	5,89,909	1	11,89,15,000	11,89,15,000
Hotel Leelaventure Ltd.	20,00,000	2	6,04,00,000	6,04,00,000
ICICI Bank Ltd. (22,573 (net) shares acquired)	2,02,573	10	18,04,12,970	9,45,00,000
Indraprastha Medical Corporation Ltd.	90,00,000	10	38,64,60,000	38,64,60,000
Infosys Technologies Ltd. (22,800 shares acquired)	1,03,300	5	14,82,06,386	10,32,22,537
Infrastructure Development Finance Co. Ltd.	2,10,00,000	10	21,00,00,000	21,00,00,000
Larsen & Toubro Ltd. (58,681 shares acquired)	2,24,884	2	27,39,60,609	12,21,61,308
Mahindra & Mahindra Ltd.	10,30,000	10	38,40,16,251	38,40,16,251
Mukand Ltd.	—	—	—	5,03,90,564
Mundra Port and Special Economic Zone Ltd.	31,308	10	3,19,04,103	—
Oil & Natural Gas Corporation Ltd.	1,69,231	10	8,71,92,134	8,71,92,134
Oriental Bank of Commerce	—	—	—	4,75,37,000
Power Grid Corporation of India Ltd.	1,22,383	10	63,63,916	—
Puravankara Projects Ltd.	1,25,000	5	5,00,00,000	—
Reliance Communications Ltd. (1,90,400 shares acquired)	3,91,307	5	12,68,50,390	2,32,85,981
Reliance Industries Ltd. (8,800 shares acquired)	36,300	10	5,15,84,276	3,62,45,531
Siemens Ltd. (2,80,266 shares acquired, 7,85,332 bonus shares received)	15,70,664	2	55,45,88,439	3,45,32,446
Sical Logistics Ltd. (5,10,105 shares sold)	7,22,388	10	18,56,82,612	44,00,00,001
SRF Ltd.	3,15,000	10	1,23,46,459	1,23,46,459
State Bank of India (77,750 (net) shares sold)	3,04,793	10	10,18,03,235	5,25,98,557
Tata Consultancy Services Ltd.	1,02,958	1	8,06,00,682	8,06,00,682
Tata Motors Ltd.	—	—	—	5,67,90,685
Tata Steel Ltd. (21,036 rights shares acquired)	1,19,341	10	6,87,76,663	—
The Great Eastern Shipping Co. Ltd.	6,40,000	10	2,47,68,534	2,47,68,534
Unitech Ltd. (Refer Note 9 below)	3,70,050	2	9,93,60,571	—
Vishal Retail Ltd. (1,170 shares acquired)	2,01,170	10	4,03,15,900	4,00,00,000
			577,98,68,231	366,69,97,607
			909,00,20,002	644,68,68,714

Convertible Preference Shares

(fully paid)

0.01% L&T Urban Infrastructure Ltd. (Optionally Fully Convertible Preference Shares)	5,79,38,253	10	57,93,82,530	—
2% Tata Steel Ltd.	1,02,642	100	1,02,64,200	—
			58,96,46,730	—

Schedule 5 (Continued)
INVESTMENTS (At Cost)

		Number of Shares	Face Value per Share Rupees	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
Preference Shares - Cumulative Redeemable (fully paid)					
— Subsidiary					
10%	HDFC Asset Management Co. Ltd.	—	—	—	12,52,50,000
				—	12,52,50,000
— Others					
0.001%	BPL Ltd.	5,99,014	100	5,99,01,400	5,99,01,400
5%	IFCI Ltd.	1,65,28,900	10	16,52,89,000	16,52,89,000
6%	The Arvind Mills Ltd. (partly redeemed)	20,00,000	50	10,00,00,000	14,00,00,000
				32,51,90,400	36,51,90,400
				32,51,90,400	49,04,40,400

		Number of Debentures/ Bonds	Face Value per Debenture/ Bond Rupees	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
Convertible Debentures					
— Redeemable (fully paid)					
0%	IL&FS Education & Technology Services Ltd. (Optionally Fully Convertible Debentures)	—	—	—	2,07,87,300
				—	2,07,87,300

Debentures and Bonds - Redeemable
— **for financing Real Estate Projects (fully paid)**

Held as long term investments

— Subsidiary					
9.5%	GRUH Finance Ltd.	—	—	—	10,00,00,000
				—	10,00,00,000
— Others					
13.2%	Maharashtra State Police Housing & Welfare Corporation Ltd. (partly redeemed)	4,000	25,000	10,00,00,000	15,00,00,000
5.1%	National Housing Bank	—	—	—	59,00,00,000
5.5%	National Housing Bank	78,122	10,000	78,12,20,000	78,12,20,000
11.25%	National Housing Bank	—	—	—	12,00,00,000
8%	West Bengal Infrastructure Development Finance Corporation Ltd.	16,000	1,00,000	160,00,00,000	160,00,00,000
				248,12,20,000	324,12,20,000
				248,12,20,000	334,12,20,000

Schedule 5 (Continued)
INVESTMENTS (At Cost)

	Number of Debentures/ Bonds	Face Value per Debenture/ Bond Rupees	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
Debentures and Bonds - Redeemable - Others				
(fully paid)				
Held as long term investments				
6.6% Tax Free ARS Bonds	55,80,267	100	55,80,26,700	55,80,26,700
5.5% National Highways Authority of India	610	10,000	61,00,000	61,00,000
5.5% Rural Electrification Corporation Ltd.	46,850	10,000	46,85,00,000	46,85,00,000
			103,26,26,700	103,26,26,700
Held as current investments				
12% Cholamandalam DBS Finance Ltd.	100	10,00,000	10,00,00,000	10,00,00,000
21% Credential Finance Ltd.	—	—	—	1,00,00,000
12% Gujarat Urja Vikas Nigam Ltd. (partly redeemed)	50	7,00,000	3,50,00,000	5,00,00,000
Infrastructure Leasing & Financial Services Ltd. (Floating Rate Debenture)	4,00,000	1,000	40,00,00,000	40,00,00,000
0% Indian Petrochemicals Corporation Ltd. (Refer Note 7 below)	—	—	—	4,31,61,700
0% Reliance Industries Ltd. (Refer Note 7 below)	4,31,617	100	4,31,61,700	—
8.5% Kalyani Steels Ltd.	—	—	—	3,40,00,000
10% Orient Paper & Industries Ltd.	—	—	—	5,15,50,000
0% TVS Investments Ltd.	65,00,000	100	65,00,00,000	—
			122,81,61,700	68,87,11,700
			226,07,88,400	172,13,38,400
Pass Through Certificates & Security Receipts				
- for financing Real Estate Projects				
Pass Through Certificates			90,83,35,606	107,72,47,716
Security Receipts			21,12,93,262	1,18,62,180
			111,96,28,868	108,91,09,896
- Others				
Security Receipts			9,95,78,000	—
			9,95,78,000	—
Government Securities				
Government of India Loans			309,25,15,000	321,65,15,000
Schemes of Mutual Funds				
ABN Amro Mutual Fund			—	7,09,86,461
Birla Sun Life Mutual Fund			—	7,36,31,341
DSP Merrill Lynch Mutual Fund			—	8,52,50,116
HDFC Mutual Fund			1332,00,00,000	283,51,09,905
ING Mutual Fund			10,00,00,000	—
JP Morgan Mutual Fund			5,00,00,000	—
Kotak Mahindra Mutual Fund			—	10,00,00,000
Morgan Stanley Mutual Fund			21,07,37,424	7,63,37,325
			1368,07,37,424	324,13,15,148

Carried forward

Schedule 5 (Continued)
INVESTMENTS (At Cost)

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
Brought forward	1368,07,37,424	324,13,15,148
Reliance Mutual Fund	17,83,00,181	27,83,00,181
Tata Mutual Fund	—	10,00,00,000
UTI Mutual Fund	15,01,70,204	30,01,70,204
	1400,92,07,809	391,97,85,533
Venture Funds and Other Funds		
AIG Indian Sectoral Equity Trust	17,10,849	78,72,894
Gaja Capital India Value Fund	2,00,00,000	—
GVFL Capital Trust	25,00,000	55,00,000
HDFC Investment Trust	12,39,26,000	—
HDFC Property Fund	508,57,76,906	252,71,76,906
IL&FS Venture Fund	1,68,89,389	1,68,89,389
India Value Fund	26,42,75,214	21,39,50,386
Tamil Nadu Urban Development Fund	16,71,61,299	16,71,61,299
	568,22,39,657	293,85,50,874

Notes:

- 1) Quoted investments include **Rs. 1544,76,81,180** (Previous Year Rs. 16,24,34,420) in respect of shares, which are subject to a lock-in period and include **Rs. 60,74,00,667** (Previous Year Rs. 60,74,00,667) in respect of shares, which are subject to restrictive covenant.
- 2) Market value of Investments in Unquoted Mutual Funds represents the repurchase price of the units issued by the Mutual Funds.
- 3) Investments in Equity Shares, Convertible Preference Shares, Preference Shares, Pass Through Certificates, Security Receipts, Convertible Debentures, Government Securities, units of Mutual Funds and Venture Funds and Other Funds are held as long-term investments. Investments in Cash Management Schemes of Mutual Funds are held as current investments. (Refer Note 10 below)
- 4) During the year, pursuant to a scheme of de-merger of Sical Logistics Ltd., the Corporation received 7,22,388 shares of Sicagen India Ltd. of Rs. 7.22 crores.
- 5) During the year, pursuant to a scheme of de-merger of Bajaj Auto Ltd. (renamed as Bajaj Holdings & Investment Ltd.), the Corporation received 31,700 shares each of Bajaj Auto Ltd. of Rs. 0.35 crores and Bajaj Finserv Ltd. of Rs. 0.34 crores.
- 6) During the year, pursuant to a scheme of de-merger of Intelenet Global Services Pvt. Ltd., the Corporation received and sold 43,30,000 shares of RSK Technologies Solutions Pvt. Ltd. of Rs. 7.15 crores.
- 7) During the year, under a scheme of Amalgamation between Reliance Industries Ltd. and Indian Petrochemicals Corporation Ltd., the Corporation received 4,31,617 debentures of Reliance Industries Ltd. in exchange for the Corporation's holding of debentures in Indian Petrochemicals Corporation Ltd.
- 8) During the year, the Corporation purchased and sold 15,237 shares of Central Bank of India of Rs. 0.16 crores, 16,355 shares of BEML Ltd. of Rs. 1.95 crores and 6,964 shares of Reliance Power Ltd. of Rs. 0.31 crores.
- 9) During the year, the Corporation acquired 40,000 shares of NIIT Technologies Ltd. Subsequently, the Corporation received 20,000 bonus shares and sold the entire quantity of 60,000 shares of Rs. 1.93 crores. Also, during the year, the Corporation acquired 3,70,050 shares of Unitech Ltd. Subsequently, the Corporation received 3,70,050 bonus shares and sold 3,70,050 shares of Rs. 9.94 crores.
- 10) Investments in Mutual Funds include **Rs. 1,332** crores (Previous Year Rs. 251 crores) in units of Cash Management Scheme of mutual fund. During the year, the Corporation acquired **Rs. 57,660** crores (Previous Year Rs. 40,145 crores) and sold **Rs. 56,579** crores (Previous Year Rs. 40,518 crores) of units of such schemes of mutual funds invested for the purpose of deployment of overnight cash surpluses.

Schedule 6

CURRENT ASSETS, LOANS AND ADVANCES [Note 8]

	Rupees	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
CURRENT ASSETS			
Income Accrued on Investments		34,84,73,205	36,53,23,566
Interest Accrued on Deposits		44,00,85,668	28,78,29,090
Sundry Debtors (Unsecured; Considered good)		2,00,94,121	5,01,89,725
Cash and Bank Balances :			
Cash and Cheques on Hand	83,71,38,698		101,42,88,162
With Scheduled Banks :			
Current Accounts	277,20,14,833		176,53,77,786
Deposit Accounts	416,76,11,365		1095,32,04,962
With Reserve Bank of India	5,85,606		5,85,606
		777,73,50,502	
		858,60,03,496	1443,67,98,897
LOANS AND ADVANCES			
Instalments due from borrowers	286,49,67,302		219,25,89,725
Advances recoverable in cash or in kind or for value to be received	945,96,52,822		1018,35,03,468
Corporate Deposits	2061,38,20,400		2375,26,41,000
		3293,84,40,524	
		4152,44,44,020	5056,55,33,090

Schedule 7

CURRENT LIABILITIES AND PROVISIONS [Notes 2(iii), 9 and 14]

	Rupees	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
CURRENT LIABILITIES			
Interest Accrued but not Due	1147,38,47,472		934,61,98,573
Sundry Creditors	89,42,91,720		165,05,93,897
Advance Payments	357,79,57,057		63,66,15,739
Other Liabilities	312,33,61,105		321,62,86,484
		1906,94,57,354	1484,96,94,693
PROVISIONS			
Proposed Dividend	710,09,49,625		556,61,45,354
Additional Tax on Dividend	120,68,06,388		94,59,66,403
Provision for premium payable on redemption of FRNs and FCCB	57,75,65,070		230,22,11,284
Provision for Contingencies	470,30,24,134		409,66,48,440
Provision for Employee Benefits	56,19,15,301		50,83,31,855
		1415,02,60,518	
		3321,97,17,872	2826,89,98,029

Schedule 8
FIXED ASSETS

	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at March 31, 2007	Additions	Deductions	As at March 31, 2008	As at March 31, 2007	For the Year	Deductions	As at March 31, 2008	As at March 31, 2008	As at March 31, 2007
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
TANGIBLE										
Land :										
Freehold	21,28,66,655	2,26,575	5,60,90,012	15,70,03,218	—	—	—	—	15,70,03,218	21,28,66,655
Leasehold	3,44,67,752	—	—	3,44,67,752	38,38,420	3,65,949	—	42,04,369	3,02,63,383	3,06,29,332
Buildings :										
Own Use	171,80,97,844	4,47,56,570	—	176,28,54,414	23,38,10,593	2,87,28,474	—	26,25,39,067	150,03,15,347	148,42,87,251
Leasehold Improvements	5,77,91,621	1,26,49,836	8,85,670	6,95,55,787	3,48,52,539	1,06,55,919	5,05,728	4,50,02,730	2,45,53,057	2,29,39,082
Computer Hardware	40,96,18,750	4,26,29,048	1,88,87,248	43,33,60,550	34,77,08,729	3,83,05,282	1,87,36,592	36,72,77,419	6,60,83,131	6,19,10,021
Furniture and Fittings, Office Equipment etc.:										
Own Use	76,51,22,048	3,64,82,847	1,19,02,604	78,97,02,291	49,95,79,632	5,17,13,075	93,53,681	54,19,39,026	24,77,63,265	26,55,42,416
Under Operating Lease	1,54,00,170	—	—	1,54,00,170	92,21,097	9,74,216	—	101,95,313	52,04,857	61,79,073
Vehicles :										
Owned	5,44,19,297	1,85,29,520	43,35,955	6,86,12,862	3,09,68,200	1,06,22,532	33,84,816	3,82,05,916	3,04,06,946	2,34,51,097
Leased	51,13,909	—	51,13,909	—	49,34,983	1,78,926	51,13,909	—	—	1,78,926
Leased Assets :										
Plant & Machinery [*]	138,38,79,350	—	2,17,31,981	136,21,47,369	138,38,79,350	—	2,17,31,981	136,21,47,369	—	—
Vehicles [*]	24,76,05,748	—	8,38,54,779	16,37,50,969	24,76,05,748	—	8,38,54,779	16,37,50,969	—	—
Lease Terminal Adjustment	—	—	—	—	(2,17,27,220)	—	—	(2,17,27,220)	2,17,27,220	2,17,27,220
INTANGIBLE										
Computer Software	2,66,59,801	21,59,964	—	2,88,19,765	2,56,31,229	15,68,563	—	2,71,99,792	16,19,973	10,28,572
	493,10,42,945	15,74,34,360	20,28,02,158	488,56,75,147	280,03,03,300	14,31,12,936	14,26,81,486	280,07,34,750	208,49,40,397	213,07,39,645
Previous Year	515,36,95,847	25,99,85,521	48,26,38,423	493,10,42,945	268,05,88,800	15,32,54,665	3,35,40,165	280,03,03,300	213,07,39,645	247,31,07,048

[*] Assets held for disposal

Notes :

- Buildings include **Rs. 1,22,250** (Previous Year Rs. 1,19,750) being the cost of shares in Co-operative Housing Societies and Limited Companies.
- Depreciation charge for the financial year, excludes **Rs. 2,28,58,592** (Previous Year Rs. 2,13,09,128) being depreciation charge on Investment in Properties.
- Freehold land includes Properties amounting to **Rs. 76,59,211** (Previous Year Rs. 6,35,22,648) acquired in satisfaction of debts.

Schedule 9

OPERATING INCOME [Note 11]

	Rupees	For the year ended March 31, 2008 Rupees	Previous Year Rupees
Interest Income :			
Interest on Loans	7216,37,90,985		4850,22,38,840
(Net of Loss on Exchange Rs. 27,57,57,734 - Previous Year Rs. 2,87,55,818)			
Other Interest	567,61,21,865		463,80,37,187
(Tax deducted at source Rs. 3,72,55,300 - Previous Year Rs. 5,70,36,040)			
		7783,99,12,850	5314,02,76,027
Surplus from deployment in Cash Management Schemes of Mutual Funds		111,77,55,103	38,76,36,426
Dividends		68,64,44,128	117,89,47,417
Other Operating Income		148,71,55,309	303,25,08,601
		8113,12,67,390	5773,93,68,471

Schedule 10

INTEREST AND OTHER CHARGES [Note 17(i)]

	Rupees	For the year ended March 31, 2008 Rupees	Previous Year Rupees
INTEREST			
Loans	1813,73,99,021		1579,56,47,221
(Net of Gain on Exchange Rs. 41,70,66,387 - Previous Year Rs. 6,37,74,748)			
Deposits	1005,13,46,332		860,52,07,157
Bonds	2291,11,54,856		1189,18,38,932
		5109,99,00,209	3629,26,93,310
OTHER CHARGES		32,88,89,684	37,57,78,827
(Includes Loss on Exchange Rs. 5,23,319 - Previous Year Rs. 5,08,045)			
		5142,87,89,893	3666,84,72,137

Schedule 11

STAFF EXPENSES [Notes 14,16(i) and 19(iii)]

		For the year ended March 31, 2008 Rupees	Previous Year Rupees
Salaries and Bonus		95,48,76,643	75,70,89,842
Contribution to Provident Fund and Other Funds		16,32,34,901	10,55,50,389
Staff Training and Welfare Expenses		5,98,41,668	5,00,44,331
		117,79,53,212	91,26,84,562

Schedule 12

ESTABLISHMENT EXPENSES [Note 16(i)]

	For the year ended March 31, 2008 Rupees	Previous Year Rupees
Rent .	16,16,32,186	12,67,19,733
Rates and Taxes	2,45,48,344	2,58,24,319
Repairs and Maintenance - Buildings	2,72,09,334	2,64,52,475
General Office Expenses	1,34,46,155	1,38,41,265
Electricity Charges	7,05,53,230	5,81,92,022
Insurance Charges	57,25,273	64,40,630
	30,31,14,522	25,74,70,444

Schedule 13

OTHER EXPENSES [Notes 16, 17(ii) and 17(iii)]

	For the year ended March 31, 2008 Rupees	Previous Year Rupees
Travelling and Conveyance	10,45,73,488	9,14,16,334
Printing and Stationery	4,97,82,404	4,43,02,805
Postage, Telephone and Fax	14,56,75,954	13,50,92,564
Advertising	36,60,55,822	29,47,64,281
Repairs and Maintenance - Other than Buildings	4,36,59,772	4,09,70,371
Office Maintenance	7,34,97,415	6,53,92,220
Legal Expenses	11,17,50,152	6,49,24,360
Computer Expenses	3,52,29,139	3,45,63,284
Directors' Fees and Commission	65,67,459	38,65,685
Miscellaneous Expenses	24,46,23,002	23,26,02,444
Auditors' Remuneration	1,09,70,684	1,36,47,991
	119,23,85,291	102,15,42,339

Schedule 14

NOTES FORMING PART OF THE ACCOUNTS

- 1 The Corporation had availed a loan of USD 100 million from the Asian Development Bank (Loan II). In respect of tranches 1 and 2 aggregating to USD 60 million, as per agreements with a scheduled bank, the Corporation has handed over the dollar funds to the bank overseas and has obtained rupee funds in India amounting to Rs. 200 crores by way of a term loan and Rs. 100 crores through the issue of bonds which have been subscribed by the bank.

In respect of tranche 3 of USD 40 million, as per an agreement with a financial institution, the Corporation has handed over the dollars to a financial institution overseas and under a back-to-back arrangement obtained rupee funds in India. All payments in foreign currency are the responsibility of the financial institution.

In terms of the agreements, the Corporation's foreign exchange liability is protected.

- 2 (i) The Corporation had raised USD 500 million through the issue of zero coupon Foreign Currency Convertible Bonds (FCCB). The bonds are convertible at any time into equity shares of the Corporation of face value of Rs. 10 each from August 24, 2006 upto July 29, 2010, at the option of the holders, at Rs. 1399.148 per equity share representing a conversion premium of 50% over the initial reference share price. The premium payable on redemption of the bonds is charged to the Securities Premium Account over the life of the bonds. The bonds are redeemable on September 27, 2010 with a yield to maturity of 4.62% per annum. Upto March 31, 2008, 76.38% of the Bonds amounting to USD 381.90 million representing **11,93,34,100** (Previous Year Nil) Equity shares, have been converted pursuant to the exercise of options by the bondholders of the Corporation.

- (ii) As on March 31, 2008, the Corporation has foreign currency borrowings (excluding FCCB) of **USD 1,079.58 million** equivalent (Previous Year USD 1,068.48 million). The Corporation has undertaken principal only swaps, currency options and forward contracts on a notional amount of **USD 808 million** equivalent (Previous Year USD 777 million) to hedge the foreign currency risk. Further, interest rate swaps on a notional amount of **USD 230 million** equivalent (Previous Year USD 391 million) are outstanding, which have been undertaken to hedge the interest rate risk on the foreign currency borrowings. As on March 31, 2008, the Corporation's net foreign currency exposure on borrowings net of risk management arrangements is **USD 447.13 million** (Previous Year USD 100.17 million).

As a part of asset liability management and on account of the increasing response to the Corporation's Adjustable Rate Home Loan product as well as to reduce the overall cost of borrowings, the Corporation has entered into interest rate swaps wherein it has converted its fixed rate rupee liabilities of a notional amount of **Rs. 12,265 crores** (Previous Year Rs. 7,265 crores) as on March 31, 2008 for varying maturities into floating rate liabilities linked to various benchmarks. In addition, the Corporation has entered into cross currency swaps of a notional amount of **USD 652 million** equivalent (Previous Year USD 643 million) wherein it has converted its rupee liabilities into foreign currency liabilities and the interest rate is linked to the benchmarks of respective currencies.

- (iii) Gains / losses arising out of foreign exchange fluctuations in respect of foreign currency borrowings, net of risk management arrangements, are to the account of the Corporation. Wherever the Corporation has entered into a forward contract or an instrument that is, in substance, a forward exchange contract, the difference between the forward rate and the exchange rate on the date of the transaction is recognised as income or expense over the life of the contract. The amount of exchange difference in respect of such contracts to be recognised as expense in the Profit and Loss Account over subsequent accounting periods is **Rs. 97.78 crores** (Previous Year Rs. 45.54 crores).

Other monetary assets and liabilities in foreign currencies are revalued at the rates of exchange prevailing at the year end. The reduced liability, net of risk management arrangements, of **Rs. 8.67 crores** (Previous Year Rs. 4.31 crores [net of loss on mark to market of derivatives Rs. 103.04 crores]) arising upon revaluation at the year end (based on the prevailing exchange rate) has been credited to the Provision for Contingencies Account.

- (iv) Cross currency swaps and other derivatives have been marked to market at the year end. The net gain of **Rs. 293.59 crores** on such mark to market of derivatives is included under Advance Payments (Schedule No.7) and not recognised in the Profit and Loss Account in view of the recent announcement by the Institute of Chartered Accountants of India (ICAI) which requires the principle of prudence to be followed in accounting for mark to market gains/losses on derivatives.

- 3 (i) Out of the total Bonds issued by the Corporation, Bond certificates aggregating to **Rs. 147.33 crores** (Previous Year Rs. 148.18 crores) have been purchased under a buy-back arrangement. These certificates have been kept alive for the purpose of re-issue.
- (ii) The maximum amount of Commercial Paper outstanding at any time during the year was **Rs. 6,150 crores** (Previous Year Rs. 2,200 crores).

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

- 4 Save and except the floating charge created in favour of the depositors in respect of 'public deposits' as defined in Paragraph 2(1)(w) of the Housing Finance Companies (NHB) Directions, 2001, on the Statutory Liquid Assets maintained in terms of sub-sections (1) & (2) of Section 29B of the National Housing Bank Act, 1987;
- (i) Loans are secured by Promissory Notes and/or a negative lien on all the assets of the Corporation.
 - (ii) Bonds are in the nature of Promissory Notes and are secured by a negative lien on all the assets of the Corporation.
 - (iii) Non-Convertible Debentures amounting to **Rs. 32,552.90 crores** (Previous Year Rs. 18,481.35 crores) are secured by a negative lien on all the assets of the Corporation and by a mortgage. These debentures are redeemable at par between 2008 and 2019.
 - (iv) Floating Rate Notes were secured by a negative pledge on all the assets of the Corporation.
- 5 During the year, the Corporation raised **Rs. Nil** (Previous Year Rs. 475 crores) through the issue of long term Unsecured Redeemable Non-Convertible Subordinated Debentures (subordinated debt). As on March 31, 2008, the Corporation's outstanding subordinated debt is **Rs. 1,375 crores** (Previous Year Rs. 1,375 crores). These Debentures are redeemable at par between 2011 and 2017. The debt is subordinated to present and future senior indebtedness of the Corporation and qualifies as Tier II capital under National Housing Bank (NHB) guidelines for assessing capital adequacy. Based on the balance term to maturity as at March 31, 2008, **88.36%** (Previous Year 94.18%) of the book value of the subordinated debt is considered as Tier II capital for the purpose of capital adequacy computation.
- 6
- (i) Loan Funds include **Rs. 3,00,11,833** (Previous Year Rs. 1,49,05,009) from Directors.
 - (ii) Deposits include **Rs. Nil** (Previous Year Rs. 3,34,606) received under the Home Loan Account Scheme of the National Housing Bank.
 - (iii) Deposits include **Rs. 5,950.98 crores** (Previous Year Rs. 6,118.54 crores) due within one year.
 - (iv) Deposits include **Rs. 11,62,00,000** (Previous Year Rs. 2,00,00,000) due to a subsidiary company.
- 7
- (i) Loans granted by the Corporation are secured or partly secured by :
 - (a) Equitable mortgage of property and / or
 - (b) Pledge of shares, units, other securities, assignment of life insurance policies and / or
 - (c) Hypothecation of assets and / or
 - (d) Bank guarantees, company guarantees or personal guarantees and / or
 - (e) Negative lien and / or
 - (f) Assignment of hire purchase receivables and / or
 - (g) Undertaking to create a security.
 - (ii) In respect of loans aggregating to **Rs. 200,00,00,000** (Previous Year Rs. 288,09,40,926), the Corporation has been assigned the right to future receivables along with a power of attorney authorising the Corporation, *inter-alia*, to obtain possession of the property in case of default.
 - (iii) Loans include **Rs. 29.34 crores** (Previous Year Rs. 18.11 crores) in respect of properties held for disposal under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
- 8
- (i) There are no Sundry Debtors which are outstanding for a period over six months.
 - (ii) Out of the total Loans and Advances (Schedule 6), amounts aggregating to **Rs. 2009,01,37,119** (Previous Year Rs. 1547,61,54,333) are secured.
- Advances recoverable in cash or in kind includes Advance Tax (net of Provision for Taxation) **Rs. 255,52,93,512** (Previous Year Rs. 254,19,69,842), **Rs. 40,39,56,631** (Previous Year Rs. 16,02,35,993) towards advances of capital nature, and **Rs. 45,78,140** (Previous Year Rs. 96,95,247) due from subsidiary companies.

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

- (iii) Corporate Deposits include **Rs. 3.50 crores** (Previous Year Rs. 3.75 crores) due from subsidiary companies.
- (iv) Interest Accrued on Deposits includes **Rs. 49,863** (Previous Year Rs. 64,110) due from subsidiary companies.
- 9 (i) Sundry Creditors include **Rs. 4,15,000** (Previous Year Rs. Nil) payable to "Suppliers" registered under the Micro, Small and Medium Enterprises Development Act, 2006.
- (ii) As required under Section 205C of the Companies Act, 1956, the Corporation has transferred **Rs. 72,93,466** (Previous Year Rs. 35,13,760) to the Investor Education and Protection Fund (IEPF) during the year. As of March 31, 2008, no amount was due for transfer to the IEPF.
- (iii) Sundry Creditors include **Rs. 4,04,85,998** (Previous Year Rs. 4,30,42,105) due to subsidiary companies and **Rs. Nil** (Previous Year Rs. 19,17,450) due to the Chairman.
- (iv) Interest Accrued but not due includes **Rs. Nil** (Previous Year Rs. 3,39,287) due to a Subsidiary Company and **Rs. 12,08,845** (Previous Year Rs. 99,713) due to the Directors of the Corporation.
- 10 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is **Rs. 54.61 crores** (Previous Year Rs. 89.27 crores).
- 11 (i) Other Operating Income comprises of net profit on sale of investments amounting to **Rs. 133,25,74,613** (Previous Year Rs. 283,02,76,958), income from leases amounting to **Rs. 15,45,80,696** (Previous Year Rs. 10,95,12,840) and profit on sale of properties acquired in satisfaction of debts **Rs. Nil** (Previous Year Rs. 9,27,18,803). The profit on sale of investments excludes Surplus from deployment in Cash Management Schemes of Mutual Funds.
- (ii) Exceptional Items comprises of net profit on sale of investments amounting to **Rs. 636,26,27,006** on account of sale of shares of HDFC Standard Life Insurance Company Ltd. (Subsidiary Company), HDFC General Insurance Company Ltd. [erstwhile HDFC Chubb General Insurance Company Ltd.] (Subsidiary Company), HDFC Investments Ltd. (Subsidiary Company) and Intelenet Global Services Pvt. Ltd. (Associate Company) [Previous Year Rs. 32,98,47,923 on account of sale of shares of HDFC Standard Life Insurance Company Ltd. (Subsidiary Company) and Rockfort Estate Developers Ltd. (Associate Company)].
- (iii) Profit on sale of investments includes profit of **Rs. 64,50,000** (Previous year net of loss of Rs. 16,16,525) in respect of investments held as current investments.
- (iv) Surplus from deployment in Cash Management Schemes of Mutual Funds amounting to **Rs. 111,77,55,103** (Previous Year Rs. 38,76,36,426) is in respect of investments held as current investments.
- (v) Dividend income includes **Rs. 15,21,38,472** (Previous Year Rs. 37,23,54,340) received from subsidiary companies.
- (vi) Other Interest includes Interest on Investments amounting to **Rs. 127,40,37,226** (Previous Year Rs. 102,62,76,287), including **Rs. 9,48,61,383** (Previous Year Rs. 13,63,68,773) in respect of current investments.
- (vii) In accordance with the Guidance Note on accounting for Leases issued by the Institute of Chartered Accountants of India, an amount of **Rs. Nil** (Previous Year Rs. 7,46,88,256) towards Lease Equalisation has been reduced from Income from Leases, in respect of Leases entered prior to the applicability of Accounting Standard on 'Leases' (AS 19) notified by the Companies (Accounting Standards) Rules, 2006.
- (viii) Income from Leases includes profit on sale of properties acquired and leased amounting to **Rs. Nil** (Previous Year Rs. 1,56,51,834).
- 12 Other Income includes rent of **Rs. 9,71,18,683** (Previous Year Rs. 8,07,46,842), of which **Rs. 22,40,679** (Previous Year Rs. 23,62,032) is in respect of rent for certain assets given on operating lease and also includes sub-lease payments received **Rs. 1,20,91,994** (Previous Year Rs. 61,70,400) in respect of a property acquired under operating lease as per Note 24(iii).

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

13 (i) Earnings in foreign currency (Cash basis):

	Current Year Rupees	Previous Year Rupees
Interest on Bank Deposits	13,16,10,504	14,21,64,057
Consultancy and other fees	4,50,36,750	2,21,79,865

(ii) Expenditure in foreign currency (Cash basis):

	Current Year Rupees	Previous Year Rupees
Interest and Other Charges on Loans	115,47,94,614	145,82,48,430
Others	8,20,05,041	3,96,31,899

14 In accordance with the Accounting Standard on Employee Benefits (AS 15) (Revised 2005) notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures have been made:

- (i) An amount of **Rs. 5,42,82,987** being the difference [net of tax effect of Rs. 2,73,81,270] between the liability as on March 31, 2007 on Employee Benefits, determined based on the implementation guidance issued by the Institute of Chartered Accountants of India for AS 15 (Revised) and the liability as per the Corporation's previous accounting policy has been adjusted against the opening balance of General Reserve, in terms of AS 15 (Revised).

In the Previous Year an amount of Rs. 7,56,69,980 being the difference [net of tax effect of Rs. 3,83,93,903] between the liability as on March 31, 2006 on Employee Benefits including defined benefit plans, determined based on the AS 15 (Revised) and the liability as per the pre revised AS 15 had been adjusted against the opening balance of General Reserves, in terms of AS 15 (Revised).

- (ii) The Corporation has recognised the following amounts in the Profit and Loss Account which are included under Contributions to Provident Fund and Other Funds :

	Current Year Rupees	Previous Year Rupees
Provident Fund	3,86,87,099	3,09,79,044
Superannuation Fund	2,44,47,027	1,73,34,452
Employees' Pension Scheme-1995	95,15,118	91,85,900

The Rules of the Corporation's Provident Fund administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Corporation. Having regard to the assets of the Fund and the return on the investments, the Corporation does not expect any deficiency in the foreseeable future. There has also been no such deficiency since the inception of the Fund.

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

- (iii) The details of the Corporation's post-retirement benefit plans for its employees including whole-time directors are given below which is as certified by the actuary and relied upon by the auditors:

	Current Year Rupees	Previous Year Rupees
Change in the Benefit Obligations:		
Liability at the beginning of the year	42,65,25,077	32,43,45,790
Current Service Cost	2,14,73,797	2,72,65,642
Interest Cost	3,55,04,120	2,59,37,602
Past Service Cost (Vested benefit)	2,07,96,369	—
Benefits Paid	(83,94,753)	(57,76,747)
Actuarial loss	6,28,21,665	5,47,52,790
Liability at the end of the year *	55,87,26,275	42,65,25,077
* The Liability at the end of the year Rs. 55,87,26,275 (Previous Year Rs. 42,65,25,077) includes Rs. 15,33,42,983 (Previous Year Rs. 12,00,14,212) in respect of an un-funded plan.		
Fair Value of Plan Assets:		
Fair Value of Plan Assets at the beginning of the year	28,45,35,665	23,47,40,196
Expected Return on Plan Assets	2,72,56,662	1,87,79,216
Contributions	6,03,69,953	4,16,36,603
Benefits Paid	(83,94,753)	(57,76,747)
Actuarial loss on Plan Assets	(1,01,07,530)	(48,43,603)
Fair Value of Plan Assets at the end of the year	35,36,59,997	28,45,35,665
Total Actuarial loss to be recognised	(7,29,29,195)	(5,95,96,393)
Actual Return on Plan Assets:		
Expected Return on Plan Assets	2,72,56,659	1,87,79,216
Actuarial loss on Plan Assets	(1,01,07,530)	(48,43,603)
Actual Return on Plan Assets	1,71,49,129	1,39,35,613
Amount Recognised in the Balance Sheet:		
Liability at the end of the year	55,87,26,275	42,65,25,077
Fair Value of Plan Assets at the end of the year	35,36,59,997	28,45,35,665
Amount recognised in the Balance Sheet under "Provision for Employee Benefits"	20,50,66,278	14,19,89,412

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

	Current Year Rupees	Previous Year Rupees
Expense Recognised in the Profit and Loss Account:		
Current Service Cost	2,14,73,797	2,72,65,642
Interest Cost	3,55,04,120	2,59,37,602
Expected Return on Plan Assets	(2,72,56,662)	(1,87,79,216)
Net Actuarial loss to be recognised	7,29,29,195	5,95,96,393
Past Service Cost (Vested benefit)	2,07,96,369	—
Expense recognised in the Profit and Loss Account under staff expenses	12,34,46,819	9,40,20,421
Reconciliation of the Liability Recognised in the Balance Sheet:		
Opening Net Liability	14,19,89,412	8,96,05,594
Expense recognised	12,34,46,819	9,40,20,421
Contribution by the Corporation	6,03,69,953	4,16,36,603
Amount recognised in the Balance Sheet under "Provision for Employee Benefits"	20,50,66,278	14,19,89,412

Investment Pattern:

	% Invested Current Year	% Invested Previous Year
Central Government securities	11.75	14.85
State Government securities / securities guaranteed by State / Central Government	6.65	8.97
Public Sector / Financial Institutional Bonds	18.07	23.62
Private Sector Bonds	2.15	3.16
Special Deposit Scheme	6.23	7.75
Investments in Insurance Cos.	53.68	39.65
Others (including bank balances)	1.47	2.00
Total	100.00	100.00

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at.

Principal Assumptions:

	Current Year %	Previous Year %
Discount Rate	8	8
Return on Plan Assets	8	8

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

15 Managerial Remuneration :

	Current Year Rupees	Previous Year Rupees
Salaries and Commission	6,61,35,000	5,10,75,000
Corporation's contribution to Provident and Superannuation Funds	41,99,850	33,08,850
Perquisites and other allowances	1,91,86,521	1,46,24,593

The above is excluding contribution to the gratuity fund and provision made for the post retirement pension scheme for the whole-time Directors.

Computation of net profit in accordance with Section 198 of the Companies Act, 1956 in respect of commission payable to Directors :

	Rupees	Rupees
Profit before Tax	3373,49,62,407	
Add: Provision for Contingencies	32,00,00,000	
Managerial Remuneration	8,95,21,371	
Directors' Fees and Commission	65,67,459	
Accrued Loss on Redemption of Investments	3,99,09,708	
		3419,09,60,945
Less: Profit on Sale of Investments	769,52,01,619	
Profit on Sale of Freehold Land	92,92,988	
Surplus from deployment in Cash Management Schemes of Mutual Funds	111,77,55,103	
Amounts utilised out of Shelter Assistance Reserve	5,42,68,159	
		887,65,17,869
Net Profit as per Section 198		2531,44,43,076
i) Commission payable to whole-time Directors :		
At 1% of net profit for each of the three whole-time Directors		75,94,33,292
Restricted to		5,05,80,000
ii) Commission payable to non whole-time Directors :		
At 1% of net profit for all non whole-time Directors		25,31,44,431
Restricted to		54,77,459

- 16 (i) Expenditure shown in Schedule 11 is net of recovery from subsidiary companies and a Joint Venture Company in respect of Salaries **Rs. 1,94,19,103** (Previous Year Rs. 1,56,63,353) and Staff Welfare Expenses **Rs. 3,375** (Previous Year Rs. 23,513). Expenditure shown in Schedule 12 is net of recovery from subsidiary companies, in respect of Rent **Rs. 56,250** (Previous Year Rs. 3,73,050) and Electricity Charges **Rs. 78,671** (Previous Year Rs. 5,48,076). Expenditure shown in Schedule 13 is net of recovery from subsidiary companies, in respect of Repairs and Maintenance – Other than Buildings **Rs. 52,740** (Previous Year Rs. 3,67,410) and Office Maintenance **Rs. 40,237** (Previous Year Rs. 1,19,208).
- (ii) Miscellaneous Expenses under Schedule 13 exclude **Rs. 5,42,68,159** (Previous Year Rs. 4,68,21,904) in respect of amounts utilised out of Shelter Assistance Reserve during the year.

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

- 17 (i) Interest on Deposits includes **Rs. Nil** (Previous Year Rs. 3,26,620) paid to the Chairman of the Corporation.
- (ii) Other Expenses include Provision for Wealth Tax amounting to **Rs. 61,00,000** (Previous Year Rs. 57,00,000) and Securities Transaction Tax amounting to **Rs. 64,96,116** (Previous Year Rs. 82,80,755).
- (iii) Auditors' Remuneration :

	Current Year Rupees	Previous Year Rupees
Audit Fees	47,19,000	53,63,125
Tax Matters	15,75,000	35,85,000
Other Matters	33,98,500	31,06,000
Reimbursement of Expenses	1,00,000	3,70,603
Service Tax	11,78,184	12,23,263
	<u>1,09,70,684</u>	<u>1,36,47,991</u>

Audit Fees include **Rs. 2,19,000** (Previous Year Rs. 1,48,125) paid to Branch Auditors and **Rs. Nil** (Previous Year Rs. 7,15,000) paid as internal audit fees to a firm in which some of the partners of the Branch Auditors are also partners.

Reimbursement of expenses include **Rs. Nil** (Previous Year Rs. 3,70,603) paid to a firm in which some of the partners of the Branch Auditors are also partners.

Professional fees include **Rs. 12,00,857** (Previous Year Rs. 1,03,25,000) paid to a firm in which some of the partners of the Statutory Auditors are also partners.

- 18 (i) The Corporation has only one reportable segment of business viz. Housing Finance business for the purposes of paragraph 25(2) of the Housing Finance Companies (NHB) Directions, 2001 and all other activities revolve around the main business of Housing Finance.
- (ii) As per the Housing Finance Companies (NHB) Directions, 2001, non-performing assets are recognised on the basis of ninety days overdue. The total provision carried by the Corporation in terms of paragraph 25 (2) of the Housing Finance Companies (NHB) Directions, 2001 and NHB circular NHB(ND)/DRS/Pol-No.09/2004-05 dated May 18, 2005 in respect of Housing and Non-Housing Loans is as follows:

Rs. in crores

	Sub-Standard Assets		Doubtful Assets	
	Current Year	Previous Year	Current Year	Previous Year
Housing	19.17	16.36	105.98	105.15
Non-Housing	8.12	3.03	7.02	9.98

- (iii) During the year, in addition to the charge of **Rs. 32 crores** (Previous Year Rs. 25 crores) to the Profit and Loss Account an amount of **Rs. 27.72 crores** (net of Deferred Tax of **Rs. 14.28 crores**) [(Previous Year Rs. Nil) (net of Deferred Tax of Rs. Nil)], has been transferred from Additional Reserve created as per Section 29C of the National Housing Bank Act, 1987 pursuant to circular NHB(ND)/DRS/Pol-No.03/2004-05 dated August 26, 2004 to Provision for Contingencies Account. [Previous Year Rs. 13.12 crores (net of Deferred Tax of Rs. 21.88 crores) has been transferred from Special Reserve No. I to Provision for Contingencies Account.]

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

- (iv) Provision for Contingencies debited to the Profit and Loss Account includes Provision for Diminution in the Value of Investments amounting to **Rs. 9.87 crores** (Previous Year Rs. 7.83 crores). The balance of the Provision represents provision made against non-performing assets and other contingencies.
- 19 (i) Special Reserve has been created over the years in terms of Section 36(1)(viii) of the Income-tax Act, 1961 out of the distributable profits of the Corporation. Special Reserve No. I relates to the amounts transferred up to Financial Year 1996-97, whereas Special Reserve No. II relates to the amounts transferred thereafter.
- (ii) As per Section 29C of the National Housing Bank Act, 1987, the Corporation is required to transfer at least 20% of its net profits every year to a reserve before any dividend is declared. For this purpose any Special Reserve created by the Corporation under Section 36(1)(viii) of the Income-tax Act, 1961 is considered to be an eligible transfer. The Corporation has transferred an amount of **Rs. 355 crores** (Previous Year Rs. 466 crores) to Special Reserve II in terms of Section 36(1)(viii) of the Income-tax Act, 1961 and an amount of **Rs. 245 crores** (Previous Year Rs. 80 crores) to "Additional Reserve (u/s 29C of the NHB Act, 1987)".
- (iii) During the year an amount of **Rs. Nil** (Previous Year Rs. 2,07,911) has been written back on account of **Nil** (Previous Year 24,285) stock options lapsed under Employee Stock Option Scheme 1999 and 2002. The same has been included in the Accounts under Salaries and Bonus.
- 20 During the year, the Corporation utilised **Rs. 20,90,30,654** (Previous Year Rs. 102,89,33,192) out of the Securities Premium Account in accordance with Section 78 of the Companies Act, 1956 towards the premium payable on the redemption of FCCBs of the Corporation. The Corporation has written back **Rs. 119,17,29,833** (Previous Year Rs. Nil) on conversion of FCCBs to the Securities Premium Account being the provision for premium on redemption of FCCBs created in the earlier years by debit to the Securities Premium Account.
- 21 (i) Contingent Liability in respect of guarantees provided by the Corporation aggregated to **Rs. 152.01 crores** (Previous Year Rs. 35.14 crores).
- (ii) Contingent Liability in respect of income-tax demands, net of amounts provided for and disputed by the Corporation, amounts to **Rs. 243.67 crores** (Previous Year Rs. 180.96 crores). The matters in dispute are under appeal. The said amount has been paid/adjusted and will be received as refund if the matters are decided in favour of the Corporation.
- (iii) Contingent Liability in respect of corporate undertakings provided by the Corporation for securitisation of receivables aggregated to **Rs. 220.12 crores** (Previous Year Rs. 208.94 crores). The outflows would arise in the event of a shortfall, if any, in the cash flows of the pool of the securitised receivables.
- 22 The Corporation's main business is to provide loans for the purchase or construction of residential houses in India. All other activities of the Corporation revolve around the main business. As such, there are no separate reportable segments, as per the Accounting Standard on 'Segment Reporting' (AS 17), notified by the Companies (Accounting Standards) Rules, 2006.
- 23 As per the Accounting Standard on 'Related Party Disclosures' (AS 18), notified by the Companies (Accounting Standard) Rules, 2006, the related parties of the Corporation are as follows :

A) Subsidiary Companies

HDFC Developers Ltd.

HDFC Investments Ltd.

HDFC Holdings Ltd.

HDFC Asset Management Company Ltd.

HDFC Trustee Company Ltd.

HDFC Realty Ltd.

HDFC Standard Life Insurance Company Ltd.

HDFC ERGO General Insurance Company Ltd.

GRUH Finance Ltd.

(Formerly HDFC Chubb General Insurance Company Ltd.)

HDFC Venture Capital Ltd.

HDFC Sales Pvt. Ltd. (Formerly Home Loan Services India Pvt. Ltd.)

HDFC Property Ventures Ltd.

HDFC Ventures Trustee Company Ltd.

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

B) Entities over which control is exercised

HDFC PROPERTY FUND - SCHEME - HDFC IT Corridor Fund (From October 1, 2007)

HDFC Investment Trust (From August 24, 2007)

C) Joint Venture

Intelnet Global Services Pvt. Ltd. (Up to September 19, 2007)

D) Associate Companies

HDFC Bank Ltd.

India Value Fund Advisors Pvt. Ltd.

Indian Association for Savings and Credit

E) Key Management Personnel

Mr. Deepak S Parekh

Mr. Keki M Mistry

Ms. Renu Sud Karnad

I) The nature and volume of transactions of the Corporation during the year, with the above related parties were as follows :

Particulars	Subsidiary Companies		Associates & Joint Ventures		Entities over which control is exercised		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
INCOME								
Dividend	15,21,38,472	37,23,54,340	27,37,80,850	25,69,06,122	Nil	Nil	Nil	Nil
Interest	51,45,164	1,00,83,459	12,91,49,459	2,10,69,309	8,35,88,117	3,05,88,480	Nil	Nil
Consultancy & Other Fees	3,11,26,664	3,47,38,979	2,88,885	3,51,540	Nil	Nil	Nil	Nil
Rent	5,65,91,201	7,51,63,945	66,07,390	41,79,951	Nil	Nil	Nil	Nil
Sale of Loans	1,39,89,939	1,58,03,048	Nil	Nil	Nil	Nil	Nil	Nil
Other Income	27,39,441	41,84,782	2,25,957	19,79,820	Nil	Nil	Nil	Nil
EXPENDITURE								
Interest	2,34,81,302	1,40,41,455	Nil	Nil	Nil	Nil	13,629	3,29,556
Bank and Other Charges	46,85,38,268	29,75,25,943	62,92,60,667	30,27,14,214	Nil	Nil	Nil	Nil
Rent Paid	Nil	Nil	Nil	15,90,355	Nil	Nil	Nil	Nil
Purchase of Fixed Assets	4,85,690	4,65,000	Nil	Nil	Nil	Nil	Nil	Nil
Remuneration	Nil	Nil	Nil	Nil	Nil	Nil	8,95,21,371	6,90,08,443
ASSETS								
Investments	1410,60,91,920	978,96,97,220	1541,94,84,730	286,09,43,559	421,65,26,000	163,40,00,000	Nil	Nil
Deposits	3,50,10,000	3,75,00,000	149,70,00,000	1,93,84,000	Nil	Nil	Nil	Nil
Bank Balance	Nil	Nil	87,89,22,627	Nil	Nil	Nil	Nil	Nil
Others	46,28,003	1,15,62,645	12,25,52,860	19,54,573	Nil	Nil	Nil	Nil
LIABILITIES								
Deposits	11,62,00,000	2,00,00,000	4,08,692	4,08,692	Nil	Nil	1,43,811	36,987
Short Term Loans	Nil	Nil	Nil	198,95,47,624	Nil	Nil	Nil	Nil
Others	4,04,85,998	4,33,81,392	Nil	Nil	Nil	Nil	9,345	2,935

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

II) The nature and volume of material transactions of the Corporation during the year, with the above related parties were as follows :

Particulars	Subsidiary Companies		Associates & Joint Ventures		Entities over which control is exercised		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
INCOME								
Dividend								
- HDFC Asset Management Co. Ltd.	6,07,44,617	13,22,78,780	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Investments Ltd.	2,66,70,500	13,39,49,050	Nil	Nil	Nil	Nil	Nil	Nil
- GRUH Finance Ltd.	6,39,23,355	4,09,76,510	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Venture Capital Ltd.	Nil	6,44,00,000	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Bank Ltd.	Nil	Nil	27,20,20,000	21,37,30,000	Nil	Nil	Nil	Nil
Interest								
- GRUH Finance Ltd.	39,04,110	95,00,000	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Sales Pvt. Ltd. (Formerly Home Loan Services India Pvt. Ltd.)	11,34,384	Nil	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Bank Ltd.	Nil	Nil	12,28,97,404	1,94,23,830	Nil	Nil	Nil	Nil
- HDFC Property Fund - Scheme - HDFC IT Corridor Fund	Nil	Nil	Nil	Nil	8,35,88,117	3,05,88,480	Nil	Nil
Consultancy and Other Fees								
- HDFC Asset Management Co. Ltd.	1,04,55,885	77,80,450	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Standard Life Insurance Co. Ltd.	1,94,98,576	2,56,33,146	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Bank Ltd.	Nil	Nil	2,88,885	3,51,540	Nil	Nil	Nil	Nil
Rent								
- HDFC Asset Management Co. Ltd.	2,84,72,054	2,00,95,273	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC ERGO General Insurance Co. Ltd. (Formerly HDFC Chubb General Insurance Co. Ltd.)	1,51,87,347	4,55,62,032	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Property Ventures Ltd.	1,23,10,661	Nil	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Bank Ltd.	Nil	Nil	66,07,390	41,79,951	Nil	Nil	Nil	Nil

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

Particulars	Subsidiary Companies		Associates & Joint Ventures		Entities over which control is exercised		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Sale of Loans								
- GRUH Finance Ltd.	1,39,89,939	1,58,03,048	Nil	Nil	Nil	Nil	Nil	Nil
Other Income								
- HDFC Asset Management Co. Ltd.	15,17,509	35,96,548	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC ERGO General Insurance Co. Ltd. (Formerly HDFC Chubb General Insurance Co. Ltd.)	3,79,030	Nil	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Sales Pvt. Ltd. (Formerly Home Loan Services India Pvt. Ltd.)	8,03,576	Nil	Nil	Nil	Nil	Nil	Nil	Nil
- Intelenet Global Services Pvt. Ltd.	Nil	Nil	Nil	15,46,240	Nil	Nil	Nil	Nil
- HDFC Bank Ltd.	Nil	Nil	2,25,957	4,33,580	Nil	Nil	Nil	Nil
EXPENDITURE								
Interest								
- HDFC Investments Ltd.	2,09,21,367	1,02,32,536	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC ERGO General Insurance Co. Ltd. (Formerly HDFC Chubb General Insurance Co. Ltd.)	25,59,935	35,51,943	Nil	Nil	Nil	Nil	Nil	Nil
- Mr. Deepak S Parekh	Nil	Nil	Nil	Nil	Nil	Nil	Nil	3,26,620
- Ms. Renu Sud Karnad	Nil	Nil	Nil	Nil	Nil	Nil	13,629	Nil
Bank and Other Charges								
- HDFC Sales Pvt. Ltd. (Formerly Home Loan Services India Pvt. Ltd.)	46,43,29,473	29,41,64,680	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Bank Ltd.	Nil	Nil	62,92,60,667	30,27,14,214	Nil	Nil	Nil	Nil
Rent Paid								
- Intelenet Global Services Pvt. Ltd.	Nil	Nil	Nil	15,90,355	Nil	Nil	Nil	Nil
Purchase of Fixed Assets								
- HDFC Developers Ltd.	4,85,690	4,65,000	Nil	Nil	Nil	Nil	Nil	Nil
Remuneration								
- Mr. Deepak S Parekh	Nil	Nil	Nil	Nil	Nil	Nil	3,74,11,411	2,94,41,882
- Mr. Keki M Mistry	Nil	Nil	Nil	Nil	Nil	Nil	2,67,96,871	2,03,83,116
- Ms. Renu Sud Karnad	Nil	Nil	Nil	Nil	Nil	Nil	2,53,13,089	1,91,83,445

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

Particulars	Subsidiary Companies		Associates & Joint Ventures		Entities over which control is exercised		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
ASSETS								
Investments								
- HDFC Standard Life Insurance Co. Ltd.	922,27,60,000	656,21,23,040	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Asset Management Co. Ltd.	235,88,41,633	Nil	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Bank Ltd.	Nil	Nil	1540,76,81,180	150,66,40,000	Nil	Nil	Nil	Nil
- Intelenet Global Services Pvt. Ltd.	Nil	Nil	Nil	134,25,00,009	Nil	Nil	Nil	Nil
- HDFC Property Fund - Scheme - HDFC IT Corridor Fund	Nil	Nil	Nil	Nil	409,26,00,000	163,40,00,000	Nil	Nil
Deposits								
- HDFC Bank Ltd.	Nil	Nil	149,70,00,000	1,93,84,000	Nil	Nil	Nil	Nil
- HDFC Sales Pvt. Ltd. (Formerly Home Loan Services India Pvt. Ltd.)	3,50,00,000	3,50,00,000	Nil	Nil	Nil	Nil	Nil	Nil
Bank Balances								
- HDFC Bank Ltd.	Nil	Nil	87,89,22,627	Nil	Nil	Nil	Nil	Nil
Others								
- HDFC Bank Ltd.	Nil	Nil	12,25,52,860	19,43,050	Nil	Nil	Nil	Nil
- HDFC Standard Life Insurance Co. Ltd.	10,06,281	43,34,945	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC ERGO General Insurance Co. Ltd. (Formerly HDFC Chubb General Insurance Co. Ltd.)	33,94,806	50,69,745	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Developers Ltd.	Nil	18,03,289	Nil	Nil	Nil	Nil	Nil	Nil
LIABILITIES								
Deposits								
- HDFC Investments Ltd.	11,62,00,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC ERGO General Insurance Co. Ltd. (Formerly HDFC Chubb General Insurance Co. Ltd.)	Nil	2,00,00,000	Nil	Nil	Nil	Nil	Nil	Nil
- HDFC Bank Ltd.	Nil	Nil	4,08,692	4,08,692	Nil	Nil	Nil	Nil
- Ms. Renu Sud Kamad	Nil	Nil	Nil	Nil	Nil	Nil	1,43,811	36,987
Short Term Loans								
- HDFC Bank Ltd.	Nil	Nil	Nil	198,95,47,624	Nil	Nil	Nil	Nil
Others								
- HDFC Developers Ltd.	4,04,12,535	4,23,47,083	Nil	Nil	Nil	Nil	Nil	Nil
- Ms. Renu Sud Kamad	Nil	Nil	Nil	Nil	Nil	Nil	9,345	2,935

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

24 In accordance with the Accounting Standard on 'Leases' (AS 19), notified by the Companies (Accounting Standard) Rules, 2006, the following disclosures in respect of Operating and Finance Leases are made :

- (i) Income from Leases includes **Rs. 15,34,71,318** (Previous Year Rs. 16,24,26,620) of which **Rs. Nil** (Previous Year Rs. 1,18,01,152) is towards contingent rent in respect of properties and certain assets leased out by the Corporation under Operating Leases. Out of the above, in respect of the non-cancellable leases, the future minimum lease payments are as follows :

Period	Current Year Rupees	Previous Year Rupees
Not later than one year	11,07,00,240	15,68,00,036
Later than one year but not later than five years	33,97,58,740	42,62,18,514
Later than five years	Nil	1,80,24,482

- (ii) The Corporation had acquired, in the earlier years a motor car under a Finance Lease for a period of 4 years, for an aggregate fair value of Rs. 6,13,220. The total minimum lease payments (MLP) in respect thereof and the present value of the future lease payments, discounted at the interest rate implicit in the lease are :

Period	Total MLP		Interest		Principal	
	Rupees		Rupees		Rupees	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Not later than one year	—	71,491	—	996	—	70,495

- (iii) The Corporation has acquired properties under non-cancellable operating leases for periods ranging from 36 months to 108 months. The total minimum lease payments for the current year, in respect thereof, included under Rent, amount to **Rs. 2,81,00,761** (Previous Year Rs. 1,83,57,651). Out of the above, the Corporation has sub-leased a property, the total sub-lease payments received in respect thereof included under Other Income amount to **Rs. 1,20,91,994** (Previous Year Rs. 61,70,400). The future minimum lease payments in respect of the properties acquired under non-cancellable operating leases are as follows:

Period	Current Year Rupees	Previous Year Rupees
Not later than one year	3,00,43,712	1,57,29,493
Later than one year but not later than five years	4,55,39,908	5,07,34,005

25 In accordance with the Accounting Standard on 'Earnings Per Share' (AS 20), notified by the Companies (Accounting Standard) Rules, 2006 :

- (i) In calculating the Basic Earnings Per Share the Profit After Tax of **Rs. 2436,24,62,407** (Previous Year Rs. 1570,38,46,012) has been adjusted for amounts utilised out of Shelter Assistance Reserve of **Rs. 5,42,68,159** (Previous Year Rs. 4,68,21,904).

Accordingly the Basic Earnings Per Share has been calculated based on the adjusted Profit After Tax of **Rs. 2430,81,94,248** (Previous Year Rs. 1565,70,24,108) and the weighted average number of shares during the year of **27,05,19,406** (Previous Year 24,98,95,601).

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

(ii) The reconciliation between the Basic and the Diluted Earnings Per Share is as follows :

	Current Year Rupees	Previous Year Rupees
Basic Earnings Per Share	89.86	62.65
Effect of outstanding Stock Options and FCCB	(4.58)	(4.40)
Diluted Earnings Per Share	85.28	58.25

(iii) The Basic Earnings Per Share has been computed by dividing the adjusted Profit After Tax by the weighted average number of equity shares for the respective periods; whereas the Diluted Earnings Per Share has been computed by dividing the adjusted Profit After Tax by the weighted average number of equity shares, after giving dilutive effect of the outstanding Stock Options and FCCB for the respective periods. The relevant details as described above are as follows :

	Current Year	Previous Year
Weighted average number of shares for computation of Basic Earnings Per Share	27,05,19,406	24,98,95,601
Diluted effect of outstanding Stock Options and FCCB	1,45,36,562	1,88,98,539
Weighted average number of shares for computation of Diluted Earnings Per Share	28,50,55,968	26,87,94,140

26 In compliance with the Accounting Standard relating to 'Accounting for Taxes on Income' (AS 22), notified by the Companies (Accounting Standards) Rules, 2006, the Corporation has taken credit of **Rs. 12,00,00,000** (Previous Year Rs. 20,00,00,000) in the Profit and Loss Account for the year ended March 31, 2008 towards deferred tax asset (net) for the year, arising on account of timing differences.

The major components of deferred tax assets and liabilities are:

	Assets		Liabilities	
	Current Year	Previous Year	Current Year	Previous Year
	Rupees	Rupees	Rupees	Rupees
a) Depreciation			53,63,62,082	54,73,10,428
b) Provision for Contingencies	174,34,81,360	157,67,11,001		
c) Provision for Employee Benefits	13,77,53,023	14,04,18,743		
d) Accrued Redemption Loss (net)	7,07,37,760	5,71,72,450		
e) Others (net)	5,07,80,118	40,21,683		
Total	200,27,52,261	177,83,23,877	53,63,62,082	54,73,10,428
Net Deferred Tax Asset	146,63,90,179	123,10,13,449		

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

- 27 In compliance with the Accounting Standard relating to 'Financial Reporting of Interests in Joint Ventures' (AS 27), notified by the Companies (Accounting Standards) Rules, 2006, the Corporation has interests in the following jointly controlled entities, which are incorporated in India :

Rs. in crores

Names of Companies	Percentage of Shareholding	Amount of Interest based on the last Audited Accounts for the year ended March 31, 2008				
		Assets	Liabilities	Income	Expenditure	Capital Commitment & Contingent Liability
HDFC Standard Life Insurance Co. Ltd.	72.56	7030.62	6535.44	59.92	236.61	23.12
Previous Year	81.90	4414.71	4079.75	16.63	119.46	37.34
HDFC ERGO General Insurance Co. Ltd. (Formerly HDFC Chubb General Insurance Co. Ltd.)	74.00	212.08	135.71	(12.08)	0.33	0.38
Previous Year	74.00	179.09	109.11	2.46	0.60	1.95
Intelenet Global Services Pvt. Ltd.	—	—	—	—	—	—
Previous Year	50.00	172.06	92.85	149.08	147.26	49.99

- 28 (i) Provision for Contingencies as on March 31, 2008 amounting to **Rs. 470.30 crores** (Previous Year Rs. 409.67 crores) includes provisions for non-performing assets, Standard Assets and all other contingencies. In addition to the provisions against non performing assets, vide the National Housing Bank circular No. NHB(ND)/DRS/DIR-18-07/1336/2007 dated March 26, 2007, all housing finance companies are required to carry a general provision at the rate of 0.40% of the total outstanding amount of non-housing loans which are Standard Assets. Accordingly, the Corporation is required to carry a minimum provision of **Rs. 224.91 crores** (Previous Year Rs. 151.29 crores) towards non performing assets and standard assets, as per the prudential norms of the National Housing Bank.
- (ii) Movement in Provision for Contingencies Account during the year is as under:

Rs. in crores

	Current Year	Previous Year
Opening Balance	409.67	380.46
Additions during the year	74.00	60.00
Utilised during the year – towards loans write offs, Diminution in Value of Investments, Foreign Currency Revaluation, Provision for Securitisation etc.	(13.37)	(30.79)
Closing Balance	470.30	409.67

- 29 During the current year the shareholders of the Corporation approved an issue of 50,60,000 stock options under Employees Stock Option Scheme - 2007 (ESOS-07). The Compensation Committee of the Corporation at its meeting held on September 12, 2007 granted the said options along with 2,09,525 options lapsed under ESOS-02 and 1,87,310 options lapsed under ESOS-05, in all aggregating to 54,56,835 stock options at an exercise price of Rs. 2149 per option representing 54,56,835 equity shares of Rs. 10 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price of the equity share of the Corporation on the Stock Exchange having higher trading volume preceding the date of the meeting of the Compensation Committee in which the options were granted.

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

In terms of the Scheme, the options would vest over a period of 1-3 years from the date of grant, but not later than September 11, 2010, depending upon the option grantee completing continuous service of three years with the Corporation. Accordingly, no options have vested in the current year. The options can be exercised over a period of five years from the date of respective vesting.

Under Employee Stock Option Scheme – 2005 (ESOS – 05), the Corporation had on October 25, 2005, granted 74,73,621 stock options at an exercise price of Rs. 912.90 per option representing 74,73,621 equity shares of Rs. 10 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e., at the latest available closing price on the stock exchange having higher trading volume.

In terms of the Scheme, the options would vest over a period of 2-3 years from the date of grant, but not later than October 24, 2008, depending upon grantee completing continuous service of three years with the Corporation. Accordingly, during the year 35,79,414 options (Previous Year 35,35,432 options) were vested [including 4,743 options (Previous Year 970 options) vested and lapsed]. The options can be exercised over a period of five years from the date of respective vesting.

Method used for accounting for share based payment plan:

The Corporation has used intrinsic value method to account for the compensation cost of stock options to employees of the Corporation. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. Since the options under ESOS-07 and ESOS-05 were granted at the market price, the intrinsic value of the option is Nil. Consequently the accounting value of the option (compensation cost) is also Nil.

Movement in the options under ESOS-07 and ESOS-05:

	ESOS-07	ESOS-05	
	Options Current Year	Options Current Year	Options Previous Year
Outstanding at the beginning of the year	Nil	42,40,374	74,34,326
Granted during the year	54,56,835	Nil	Nil
Exercised during the year	Nil	10,89,007	30,83,344
Lapsed during the year	73,854	43,653	1,10,608
Outstanding at the end of the year	53,82,981	31,07,714	42,40,374
Unvested at the end of the year	53,82,981	1,70,932	37,89,256
Exercisable at the end of year	Nil	29,36,782	4,51,118
Weighted average price per option	Rs. 2,149.00	Rs. 912.90	

Fair Value Methodology:

The fair value of options used to compute proforma net income and earnings per equity shares have been estimated on the date of grant using Black-Scholes model.

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

The key assumptions used in Black-Scholes model for calculating fair value under ESOS-07 and ESOS-05 as on the date of grant viz. September 12, 2007 and October 25, 2005, are as follows :

	ESOS-07	ESOS-05
Risk-free interest rate (p.a.)	7.70%	6.38%
Expected life	Upto 2 years	2 to 3 years
Expected volatility of share price	19%	30%
Expected growth in dividend (p.a.)	20%	20%
The weighted average fair value, as on the date of grant (per Stock Option)	Rs. 307.28	Rs. 105.50

Had the compensation cost for the stock options granted under ESOS-07 and ESOS-05 been determined based on fair value approach, the Corporation's net profit and earnings per share would have been as per the pro forma amounts indicated below:

Rs. in. crores

	Current Year	Previous Year
Net profit (as reported)*	2436.25	1570.38
Add : Stock-based employee compensation expense included in the net income	—	—
Less : Stock-based compensation expense determined under fair value based method: [Gross Rs.102.07 crores (Previous Year Rs. 40.88 crores)] (pro forma)	67.37	27.12
Net profit (pro forma)	2368.88	1543.26
Less : Amounts utilised out of Shelter Assistance Reserve	5.43	4.68
Net Profit considered for computing EPS (pro forma)	2363.45	1538.58

	Current Year Rupees	Previous Year Rupees
Basic earnings per share (as reported)	89.86	62.65
Basic earnings per share (pro forma)	87.37	61.57
Diluted earnings per share (as reported)	85.28	58.25
Diluted earnings per share (pro forma)	82.91	57.24

- 30 The Corporation has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders. The particulars of dividends payable to non-resident shareholders (including Foreign Institutional Investors) are as under:

	Current Year Annual	Previous Year Annual
Year to which the dividend relates	2006-07	2005-06
Number of non-resident shareholders	1325	1161
Number of shares held by them	19,95,39,467	19,64,20,197
Gross amount of dividend	Rs. 438,98,68,274	Rs. 392,84,03,940

- 31 Figures for the previous year have been regrouped wherever necessary.

Schedule 15

SIGNIFICANT ACCOUNTING POLICIES

1 ACCOUNTING CONVENTION

These accounts have been prepared in accordance with historical cost convention, applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956 and the guidelines issued by the National Housing Bank.

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

2 SYSTEM OF ACCOUNTING

The Corporation adopts the accrual concept in the preparation of the accounts.

The Balance Sheet and the Profit and Loss account of the Corporation are prepared in accordance with the provisions contained in Section 211 of the Companies Act 1956, read with Schedule VI thereto and the approvals granted under the section by the Company Law Board.

3 INFLATION

Assets and liabilities are recorded at historical cost to the Corporation. These costs are not adjusted to reflect the changing value in the purchasing power of money.

4 INTEREST ON HOUSING LOANS

Repayment of housing loans is generally by way of Equated Monthly Instalments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is payable every month. Interest on loans is computed either on an annual rest or on a monthly rest basis.

5 INCOME FROM LEASES

Lease rental income in respect of leases is recognised in accordance with the Accounting Standard on 'Leases' (AS 19) notified by the Companies (Accounting Standard) Rules, 2006.

6 INCOME FROM INVESTMENTS

In respect of Investments in Schemes of Unit Trust of India and Other Mutual Funds with assured returns, the income is accounted on an accrual basis.

The gain/loss on account of Investments in Preference Shares, Debentures/Bonds and Government Securities held as long-term investments and acquired at a discount/premium, is recognised over the life of the security on a pro-rata basis.

7 BROKERAGE AND SERVICE CHARGES ON DEPOSITS

Brokerage, other than incentive brokerage, and service charges on deposits are amortised over the period of the deposit. Incentive brokerage, which is payable to agents who achieve certain collection targets, is charged to the Profit and Loss Account.

8 TRANSLATION OF FOREIGN CURRENCY

Assets and liabilities in foreign currencies are converted at the rates of exchange prevailing at the year-end, where not covered by forward contracts. Wherever the Corporation has entered into a forward contract or an instrument that is, in substance, a forward exchange contract, the difference between the forward rate and the exchange rate on the date of the transaction is recognised as income or expense over the life of the contract. Cross currency swaps and other derivatives have been marked to market at the year end. The net gain on such mark to market derivatives is credited to Advance Payments Account.

Schedule 15 (Continued)**SIGNIFICANT ACCOUNTING POLICIES****9 INVESTMENTS**

Investments are capitalised at cost inclusive of brokerage and stamp charges and are classified into two categories, viz. Current or Long Term. Provision for diminution in the value of investments is made in accordance with the guidelines issued by the National Housing Bank and the Accounting Standard on 'Accounting for Investments' (AS 13) notified by the Companies (Accounting Standard) Rules, 2006, and is recognised through the Provision for Contingencies Account. The investment in properties is net of provision for depreciation.

10 FIXED ASSETS

Fixed Assets are capitalised at cost inclusive of legal and/or installation expenses. Leased Assets are accounted in accordance with the Accounting Standard on 'Leases' (AS 19) notified by the Companies (Accounting Standard) Rules, 2006.

11 INTANGIBLE ASSETS

Intangible Assets comprising of system software are stated at cost of acquisition, including any cost attributable for bringing the same to its working condition, less accumulated amortisation. Any expenses on such software for support and maintenance payable annually are charged to revenue account.

12 DEPRECIATION AND AMORTISATION**Fixed Assets**

Depreciation on all Fixed Assets other than Leased Assets and Leasehold Improvements, is provided for the full year in respect of assets acquired during the year. No depreciation is provided in the year of sale.

In respect of Leased Assets and Leasehold Improvements depreciation is provided on a pro-rata basis from the date of installation / acquisition.

Depreciation on Buildings, Computers, Leased Assets and Leasehold Improvements, is calculated as per the straight-line method; and on other assets as per the reducing balance method. All assets except Computers and Leased Assets are depreciated at rates specified by the Companies Act, 1956. Depreciation on Computers is calculated at the rate of 25 per cent per annum. Depreciation in respect of finance leases is provided on the straight line method over the primary period of lease or over the specified period, as defined under Section 205(5)(a) of the Companies Act, 1956, whichever is shorter. Depreciation in respect of Leasehold Improvements is provided on the straight-line method over the primary period of the lease.

Intangible Assets

Capitalised software is amortised over a period of four years on a straight-line basis.

13 INVESTMENT IN PROPERTIES

Depreciation on Investment in properties is provided on a pro-rata basis from the date of acquisition.

14 PROVISION FOR CONTINGENCIES

The Corporation's policy is to carry adequate amounts in the Provision for Contingencies account to cover the principal amount outstanding in respect of all non-performing assets, standard assets as also all other contingencies. All loans and other credit exposures where the instalments are over due for ninety days and more are classified as non-performing assets in accordance with the prudential norms prescribed by the National Housing Bank. The provisioning policy of the Corporation covers the minimum provisioning required as per the NHB guidelines.

15 EMPLOYEE BENEFITS**Provident Fund and Superannuation Fund Contributions**

The Corporation's contributions paid / payable during the year towards Provident Fund and Superannuation Fund are charged in the Profit and Loss Account every year. These funds and the schemes thereunder are recognised by the Income-tax authorities and administered by various trustees.

Schedule 15 (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Gratuity and Post Retirement Pension

The net present value of the Corporation's obligation towards gratuity to employees and post retirement pension scheme for whole-time Directors is actuarially determined based on the projected unit credit method, except in the case of Dubai branch where the provision for gratuity is made in accordance with the prevalent local laws. Actuarial gains and losses are immediately recognised in the Profit and Loss Account.

Other Employee Benefits

Compensated absences in the form of short term benefits are determined on an undiscounted basis and recognised over the period of service, which entitles the employees to such benefits. Any such benefits which are long term in nature are actuarially determined.

16 INCOME-TAX

The accounting treatment for Income-tax in respect of the Corporation's income is based on the Accounting Standard on 'Accounting for Taxes on Income' (AS 22) notified by the Companies (Accounting Standard) Rules, 2006. The provision made for Income-tax in the Accounts comprises both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year, arising on account of timing differences, are recognised in the Profit and Loss Account; and the cumulative effect thereof is reflected in the Balance Sheet. The major components of the respective balances of deferred tax assets and liabilities are disclosed in the Accounts.

17 SECURITISED ASSETS

Derecognition of securitised assets in the books of the Corporation, recognition of gain or loss arising on securitisation and accounting for credit enhancement provided by the Corporation is based on the Guidance Note on Accounting for Securitisation issued by the Institute of Chartered Accountants of India.

Securitized assets are derecognised in the books of the Corporation based on the principle of surrender of control over the assets. Credit Enhancement provided by the Corporation by way of investments in subordinate Class B Pass Through Certificates is included under Investments in Pass Through Certificates in Schedule 5.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Submitted in terms of Part IV of Schedule VI to the Companies Act, 1956)

I. Registration Details

Registration No.

1 9 9 1 6

State Code

1 1

Balance Sheet Date

3 1 3 2 0 0 8

II. Capital raised during the year (Amount in Rs. '000)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

2 9 9 3 3 4

Stock Options

1 0 9 8 0

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

Total Liabilities

8 4 4 2 0 5 3 2 0

Total Assets

8 4 4 2 0 5 3 2 0

SOURCES OF FUNDS

Paid-up Capital

2 8 4 0 3 4 1

Reserves and Surplus

1 1 6 6 3 3 0 7 7

Secured Loans

5 1 7 3 6 6 8 2 5

Unsecured Loans

1 7 4 1 4 5 3 5 9

APPLICATION OF FUNDS

Loans

7 2 9 9 7 9 4 4 7

Net Fixed Assets

2 0 8 4 9 4 0

Investments

6 9 1 5 0 0 9 9

Net Current Assets

8 3 0 4 7 2 6

Deferred Tax Asset

1 4 6 6 3 9 0

Miscellaneous Expenditure

N I L

Accumulated Losses

N I L

IV. Performance of the Company (Amount in Rs. '000)

Total Income

8 8 3 2 3 1 7 7

Total Expenditure

5 4 5 8 8 2 1 5

Profit Before Tax

3 3 7 3 4 9 6 2

Profit After Tax

2 4 3 6 2 4 6 2

Earnings per Share (in Rs.)

8 9 8 6

Dividend %

2 5 0

V. Generic Names of three Principal Services of the Company (as per monetary terms)

Item Code No. (ITC Code)

N I L

Product Description

H O U S I N G F I N A N C E

Item Code No. (ITC Code)

N I L

Product Description

C O N S U L T A N C Y S E R V I C E S

Item Code No. (ITC Code)

N I L

Product Description

L E A S I N G

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Names of the subsidiary companies	HDFC Developers Ltd.	HDFC Investments Ltd.	HDFC Holdings Ltd.	HDFC Asset Management Co. Ltd.	HDFC Trustee Co. Ltd.	HDFC Realty Ltd.	HDFC Standard Life Insurance Co. Ltd.	GRUH Finance Ltd.	HDFC ERGO General Insurance Co. Ltd. (Formerly HDFC CHUBB General Insurance Co. Ltd.)	HDFC Venture Capital Ltd.	HDFC Ventures Trustee Co. Ltd.	HDFC Property Ventures Ltd.	HDFC Sales Pvt. Ltd. (Formerly Home Loan Services India Pvt. Ltd.)
The financial year of the subsidiary companies ended on	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008
Number of shares of the subsidiary companies held by HDFC Limited at the above date	50,000	2,66,70,500	8,00,070	1,50,96,600	1,00,000	57,50,070	92,22,76,000	2,13,07,785	11,10,00,000	4,02,500	50,000	10,00,000	40,10,000
The net aggregate of profits of the subsidiary companies so far as these concern the members of HDFC Limited:													
(I) dealt with in the accounts of HDFC Limited amounted to:													
(a) for subsidiaries' financial year ended on March 31, 2008 - interim dividend	-	2,66,70,500	-	-	-	-	-	-	-	-	-	-	-
(b) for previous financial years of the subsidiaries since these became subsidiaries of HDFC Limited	2,24,00,000	61,89,54,481	-	23,80,43,407	-	-	-	22,18,77,420	-	11,27,00,000	-	-	-
(II) not dealt with in the accounts of HDFC Limited amounted to:													
(a) for subsidiaries' financial year ended on March 31, 2008	3,65,468	20,28,03,139	18,04,895	70,64,18,987	57,576	95,183	(176,69,04,206)	26,03,96,740	(12,57,94,080)	10,03,39,098	25,13,967	8,42,90,910	3,61,06,469
(b) for previous financial years of the subsidiaries since these became subsidiaries of HDFC Limited	4,11,38,422	10,12,08,541	25,69,669	42,25,60,256	5,35,186	(5,63,22,972)	(316,03,23,227)	6,76,47,081	22,27,31,120	3,52,43,084	30,58,603	1,90,272	(5,59,13,876)

Deepak S. Parekh
Chairman

K. M. Mistry
Vice Chairman &
Managing Director

Renu Sud Karnad
Jt. Managing Director

Directors
Keshub Mahindra
S. B. Patel
B. S. Mehta
D. N. Ghosh
S. A. Dave
D. M. Sukthankar
R. S. Tarneja
D. M. Satwalekar
N. M. Munjee
J. J. Irani
Bimal Jalan

Girish V. Koliyote
Company Secretary

MUMBAI, April 30, 2008.

CONSOLIDATED GROUP ACCOUNTS

Auditors' Report

TO THE BOARD OF DIRECTORS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED AND ITS SUBSIDIARIES

1. We have examined the attached Consolidated Balance Sheet of **HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED**, its subsidiaries, jointly controlled entity and the entities over which control is exercised ("the Group") as at March 31, 2008, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Accounts include investments in affiliates accounted for on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) and the jointly controlled entity accounted for in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures). These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and

significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of four subsidiaries, whose financial statements reflect total assets (net) of Rs.11,325.09 crores as at March 31, 2008, total revenue of Rs. 591.14 crores and net cash flows amounting to Rs. 429.48 crores for the year ended on that date. We have also not audited the accounts of two affiliates. The financial statements of these subsidiaries and affiliates have been audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included in respect of these subsidiaries and affiliates, is based solely on the reports of the other auditors.

4. We report that the consolidated financial statements have been prepared by the Corporation in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures), notified by the Companies (Accounting Standards) Rules, 2006.

5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and affiliates referred to in paragraph 3 above, and to the best of our information and according to the explanations given to us, we are of the opinion that the aforesaid consolidated financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India :

(a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31, 2008;

(b) in the case of the Consolidated Profit and Loss Account, of the consolidated profit of the Group for the year ended on that date and

(c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For DELOITTE HASKINS & SELLS
Chartered Accountants

MUMBAI,
June 10, 2008

P. R. Ramesh
Partner
(Membership No. 70928)

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Housing Development Finance Corporation Limited

Consolidated Balance Sheet as at March 31, 2008

	Schedule	Rupees in crores	Rupees in crores	March 31, 2007 Rupees in crores
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	284.03		253.00
Reserves and Surplus	2	12,517.37		6,195.93
			12,801.40	6,448.93
POLICY LIABILITIES (Policyholders' Funds) [Note 5(iii)]			8,425.90	4,605.90
LOAN FUNDS	3		70,915.42	58,590.16
MINORITY INTEREST			440.29	286.91
DEFERRED TAX LIABILITY [Note 15]			-	0.59
			92,583.01	69,932.49
APPLICATION OF FUNDS				
LOANS	4		74,773.53	57,892.71
INVESTMENTS	5		15,443.34	8,750.38
DEFERRED TAX ASSET [Note 15]			156.51	133.46
CURRENT ASSETS, LOANS AND ADVANCES	6	6,073.84		6,159.54
Less : CURRENT LIABILITIES AND PROVISIONS	7	4,515.81		3,600.11
NET CURRENT ASSETS			1,558.03	2,559.43
FIXED ASSETS	8			
Gross Block		991.15		1,022.89
Less : Depreciation		499.81		493.47
Net Block			491.34	529.42
GOODWILL ON CONSOLIDATION			159.90	66.10
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)				
Preliminary Expenditure			0.36	0.99
			92,583.01	69,932.49
Notes forming part of the Accounts	14			
Significant Accounting Policies	15			

Schedules 1 to 15 annexed hereto form part of the Balance Sheet and the Profit and Loss Account

As per our report attached.

For Deloitte Haskins & Sells
Chartered Accountants

Deepak S. Parekh
Chairman

Keki M. Mistry
Vice Chairman &
Managing Director

P. R. Ramesh
Partner

Renu Sud Karnad
Jt. Managing Director

MUMBAI, June 10, 2008.

Housing Development Finance Corporation Limited

Consolidated Profit and Loss Account for the year ended March 31, 2008

	Schedule	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
INCOME				
Operating Income	9	8,683.11		6,269.77
Fees and Other Charges		115.51		102.23
Other Income		20.80		21.19
		8,819.42		6,393.19
EXPENDITURE AND CHARGES				
Interest and Other Charges	10	5,271.96		3,761.35
Staff Expenses	11	230.49		268.61
Establishment Expenses	12	43.61		55.60
Other Expenses	13	189.76		173.10
Amounts transferred to policyholders' account		263.20		143.80
Operating Loss from General Insurance Business		23.56		1.98
Depreciation		31.89		57.38
Preliminary expenses written off		0.63		1.02
Provision for Contingencies [Note 9]		36.23		35.27
		6,091.33		4,498.11
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		2,728.09		1,895.08
Exceptional Items [Note 7 (ii)]		677.80		33.71
Profit Before Tax (before profit of associates and adjustment for minority interest)		3,405.89		1,928.79
Less :Provision for Tax (net of Deferred Tax Asset, Rs. 11.56 crores - Previous Year Rs. 23.87 crores) [Note 15]		1,033.48		443.29
Less :Provision for Fringe Benefit Tax		3.40		3.83
Profit After Tax (before profit of associates and adjustment for minority interest)		2,369.01		1,481.67
Add :Net share of profit of associates (Equity method)		354.74		267.35
Less :Share of profit of minority interest		10.75		7.04
PROFIT AFTER TAX ATTRIBUTABLE TO THE CORPORATION		2,713.00		1,741.98
APPROPRIATIONS:				
Special Reserve No. II		361.77		474.92
Special Reserve (under Section 45-IC(1) of the Reserve Bank of India Act, 1934)		0.04		0.02
General Reserve		995.65		336.32
Additional Reserve (under Section 29C of the National Housing Bank Act, 1987)		245.00		80.00
Shelter Assistance Reserve		6.00		5.00
Capital Redemption Reserve		13.71		-
Proposed Dividend		710.10		556.61
Taxes on Dividend		130.25		100.57
		2,462.52		1,553.44
BALANCE CARRIED TO SCHEDULE 2		250.48		188.54
EARNINGS PER SHARE (Face Value Rs. 10) [Note 14]:				
— Basic (Rs.)		100.09		69.52
— Diluted (Rs.)		94.98		64.63
Notes forming part of the Accounts	14			
Significant Accounting Policies	15			

Schedules 1 to 15 annexed hereto form part of the Balance Sheet and the Profit and Loss Account

As per our report attached.

For Deloitte Haskins & Sells
Chartered Accountants

Deepak S. Parekh
Chairman

Keki M. Mistry
Vice Chairman &
Managing Director

P. R. Ramesh
Partner

Renu Sud Karnad
Jt. Managing Director

MUMBAI, June 10, 2008.

Housing Development Finance Corporation Limited

Consolidated Cash Flow Statement for the year ended March 31, 2008

	Rupees in crores	Previous Year Rupees in crores
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit After Tax Attributable to the Corporation	2,713.00	1,741.98
Add: Provision for Taxation	1,036.88	447.12
Profit Before Tax	3,749.88	2,189.10
Adjustments for:		
Depreciation (including depreciation debited in amounts transferred to policyholders' account)	92.18	85.92
Preliminary expenses written off	0.63	1.02
Provision for Contingencies	36.23	35.27
Loss After Tax relating to the jointly controlled entity	-	0.42
Employee Stock Option Expense (net of options exercised)	0.50	(0.21)
Provision for Unexpired Risk	17.45	-
Provision for Employee Benefits	22.21	12.49
Policy Liabilities (net)	3,820.00	2,248.42
Surplus from Deployment in Cash Management Schemes of Mutual Funds	(113.99)	(42.07)
Profit from Sale of Investments	(818.01)	(325.49)
Profit on Sale of properties acquired in satisfaction of debts	(0.02)	(9.27)
Profit on Sale of Fixed Assets	(0.61)	(15.23)
Operating Profit before Working Capital changes	6,806.45	4,180.37
Adjustments for:		
Current Assets	(376.45)	(548.04)
Current Liabilities	753.15	619.75
Cash generated from operations*	7,183.15	4,252.08
Taxes Paid	(1,050.83)	(486.10)
Net cash from operating activities	6,132.30	3,765.98
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(148.82)	(105.24)
Sale of Fixed Assets	7.15	27.81
Consideration received towards protection of expected loss on shares (SICAL) - HDFC Ltd.	14.79	-
Goodwill (net)	(93.80)	-
Capital Reserve on acquisition	12.29	-
Investments (net)	(6,016.86)	(1,911.44)
Net cash used in investing activities	(6,225.25)	(1,988.87)
C CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital - Equity	31.03	3.44
Securities Premium received during the year	4,688.90	289.40
Borrowings (net)	12,455.43	10,680.42
Loans disbursed (net)	(16,901.47)	(11,838.30)
Corporate Deposits (net)	313.63	(83.06)
Dividend paid - HDFC Ltd.	(556.61)	(499.13)
Taxes paid on Dividend	(97.12)	(78.53)
Premium Paid on FRNs and NCDs	(74.31)	(2.39)
Preliminary expenses incurred	-	(0.03)
Share and Debenture Issue expenses	-	(0.60)
Increase in Minority Interest	151.11	70.61
Shelter Assistance Reserve - utilisation	(5.43)	(4.68)
Net cash from / (used in) financing activities	5.16	(1,462.85)
Net (Decrease) / Increase in cash and cash equivalents	(87.77)	314.26
Cash and cash equivalents as at the beginning of the year	1,982.48	1,668.22
Cash and cash equivalents as at the end of the year	1,894.71	1,982.48
	(87.77)	314.26

As per our report attached.

For Deloitte Haskins & Sells
Chartered Accountants

Deepak S. Parekh
Chairman

Keki M. Mistry
Vice Chairman &
Managing Director

P. R. Ramesh
Partner

Renu Sud Karnad
Jt. Managing Director

MUMBAI, June 10, 2008.

Schedules

Annexed to and forming part of the Accounts

Schedule 1

SHARE CAPITAL

	As at March 31, 2008 Rupees in crores	As at March 31, 2007 Rupees in crores
AUTHORISED		
32,50,00,000 Equity Shares of Rs. 10 each (Previous Year 27,50,00,000 Equity Shares of Rs. 10 each)	325.00	275.00
	<u>325.00</u>	<u>275.00</u>
ISSUED, SUBSCRIBED AND PAID-UP		
28,40,37,985 Equity Shares of Rs. 10 each (Previous Year 25,30,06,607 Equity Shares of Rs. 10 each) (Includes 12,19,60,713 Equity Share of Rs. 10 each, allotted as fully paid-up Bonus Shares out of Securities Premium Account and Capital Redemption Reserve)	284.03	253.00
	<u>284.03</u>	<u>253.00</u>

Schedule 2

RESERVES AND SURPLUS

	Rupees in crores	As at March 31, 2008 Rupees in crores	As at March 31, 2007 Rupees in crores
SPECIAL RESERVE No. I			
Opening Balance	51.23		64.35
Less : Transfer to Provision for Contingencies [Net of Deferred Tax of Rs. Nil (Previous Year Rs. 21.88 crores)] [Note 9(ii)]	—		13.12
		51.23	51.23
SPECIAL RESERVE No. II			
Opening Balance	2,175.98		1,701.06
Less: Opening Adjustments [Note 1(v)]	0.14		—
	<u>2,175.84</u>		<u>1,701.06</u>
Add : Transfer from the Profit and Loss Account	361.77		474.92
		2,537.61	2,175.98
SPECIAL RESERVE Under Section 45-IC(1) of the RBI Act, 1934			
Opening Balance	0.06		0.04
Add : Transfer from Profit and Loss Account	0.04		0.02
		0.10	0.06
GENERAL RESERVE			
Opening Balance	2,451.03		1,839.70
Less: Opening Adjustments [Note 1(v)]	352.88		(282.58)
	<u>2,098.15</u>		<u>2,122.28</u>
Add : Transfer from the Profit and Loss Account	995.65		336.32
	<u>3,093.80</u>		<u>2,458.60</u>
Less: Utilised during the year in accordance with the Accounting Standard on Employee Benefits (AS 15) (Revised) [Net of Deferred Tax of Rs. Nil (Previous Year Rs. 3.84 crores)] [Note 8(ii)]	—		7.57
	<u>3,093.80</u>		<u>2,451.03</u>
Add: Adjusted during the year in accordance with the Accounting Standard on Employee Benefits (AS 15) (Revised) [Net of Deferred Tax of Rs. 2.74 crores (Previous Year Rs. Nil)] [Note 8(i)]	5.44		—
		3,099.24	2,451.03
		<u>5,688.18</u>	<u>4,678.30</u>

Carried forward

Schedule 2 (Continued)
RESERVES AND SURPLUS

	Rupees in crores	As at March 31, 2008 Rupees in crores	As at March 31, 2007 Rupees in crores
Brought forward		5,688.18	4,678.30
ADDITIONAL RESERVE (under Section 29C of the National Housing Bank Act, 1987)			
Opening Balance	80.00		—
Add : Transfer from Profit and Loss Account	245.00		80.00
	325.00		80.00
Less : Utilised during the year	27.72		—
[Net of Deferred Tax of Rs. 14.28 crores (Previous Year Rs. Nil)] [Note 9(ii)]		297.28	80.00
REVALUATION RESERVE [Note 3(ii)]			
Opening Balance	5.19		5.19
Add : Credited during the year	39.20		—
		44.39	5.19
SECURITIES PREMIUM			
Opening Balance	856.12		670.21
Less : Opening Adjustments [Note 1(v)]	0.03		—
	856.09		670.21
Add : Received during the year	4,688.90		289.40
Add : Premium payable on FCCB written back on conversion [Note 3(i)]	119.17		—
	5,664.16		959.61
Less : Utilised during the year [Note 3(i)]	21.02	5,643.14	103.49
EMPLOYEE STOCK OPTION OUTSTANDING			856.12
Opening Balance	0.01		0.01
Add : Net Charge for the year	0.50		—
		0.51	0.01
CAPITAL REDEMPTION RESERVE			
Opening Balance	12.53		12.53
Add : Transfer from the Profit and Loss Account	13.71		—
		26.24	12.53
SHELTER ASSISTANCE RESERVE			
Opening Balance	11.25		10.93
Add : Transfer from the Profit and Loss Account	6.00		5.00
	17.25		15.93
Less : Utilised during the year	5.43	11.82	4.68
		0.04	11.25
CAPITAL RESERVE			0.04
CAPITAL RESERVE ON CONSOLIDATION			
Opening Balance	3.71		3.71
Add : Transfer during the year on acquisition	12.29		—
		16.00	3.71
PROFIT AND LOSS ACCOUNT (of subsidiaries, jointly controlled entity, associates and entities over which control is exercised)	250.48		188.54
Add : Opening profit of subsidiaries, jointly controlled entity and associates (net)	548.78		360.24
	799.26		548.78
Less : Opening Adjustments [Note 1(v)]	9.49		—
		789.77	548.78
		12,517.37	6,195.93

Schedule 3 LOAN FUNDS

	Rupees in crores	As at March 31, 2008 Rupees in crores	As at March 31, 2007 Rupees in crores
LOANS			
Asian Development Bank	377.91		399.41
DEG - Deutsche Investitions - und Entwicklungsgesellschaft mbH	180.68		220.27
International Finance Corporation	863.09		886.61
National Housing Bank	909.64		713.72
Syndicated Loans - International	—		442.98
External Commercial Borrowings	—		35.94
Scheduled Banks and Others	17,759.87		18,851.14
Kreditanstalt für Wiederaufbau	68.19		71.13
Others (Finance Lease)	2.02		2.18
		20,161.40	21,623.38
FOREIGN CURRENCY CONVERTIBLE BONDS (Unsecured) (Redeemable in 2010)		516.33	2,179.34
BONDS (Redeemable at par between 2008 and 2022)		110.98	113.63
DEBENTURES			
Non-Convertible Debentures	32,712.90		18,696.35
Floating Rate Notes - International (Redeemable in 2007)	—		435.10
		32,712.90	
Under a Line from Kreditanstalt für Wiederaufbau (Unsecured)		41.17	41.17
Loans from Scheduled Banks (Unsecured)		2,086.54	1,375.86
Commercial Paper (Unsecured)		2,400.00	2,200.00
Non-Convertible Subordinated Debentures (Unsecured)		1,415.00	1,425.00
DEPOSITS (Unsecured)	11,452.75		10,484.93
Interest Accrued and Due	18.35		15.40
		11,471.10	
		70,915.42	58,590.16

Schedule 4 LOANS

	As at March 31, 2008 Rupees in crores	As at March 31, 2007 Rupees in crores
Individuals	50,078.34	38,697.04
Corporate Bodies	22,847.33	17,904.26
Others	1,847.86	1,291.41
	74,773.53	57,892.71

Schedule 5
INVESTMENTS

	As at March 31, 2008 Rupees in crores	As at March 31, 2007 Rupees in crores
INVESTMENT IN ASSOCIATES :		
Equity Investments in Associates by the Holding Company	431.59	151.84
Equity Investment in Associate by Subsidiaries	73.32	73.32
	<u>504.91</u>	<u>225.16</u>
Add : Goodwill on acquisition of associates (share of pre-acquisition losses)	1,110.45	0.09
	<u>1,615.36</u>	<u>225.25</u>
Less: Capital Reserve on acquisition of an associate (Share of pre-acquisition profit)	0.13	0.13
	<u>1,615.23</u>	<u>225.12</u>
Add : Adjustments for post-acquisition share of profit of associates (Equity method)	1,140.32	1,171.87
	<u>1,140.32</u>	<u>1,171.87</u>
(A)	<u>2,755.55</u>	<u>1,396.99</u>
OTHER INVESTMENTS :		
Other than Insurance Companies		
Equity Shares	915.52	651.15
Preference Shares	32.52	36.52
Convertible Preference Shares	58.96	-
Convertible Bonds	-	2.08
Debentures & Bonds	861.68	502.15
Pass Through Certificates and Security Receipts - For Financing Real Estate Projects	111.96	108.91
Securities Receipts - Others	9.96	-
Government Securities	321.87	334.48
Mutual Funds and Other Funds	1,814.61	790.93
Properties	142.21	144.81
	<u>4,269.29</u>	<u>2,571.03</u>
Less : Provision for Diminution in Value of Investments	60.29	40.84
(B)	<u>4,209.00</u>	<u>2,530.19</u>
Insurance Companies		
Equity Shares	4,531.23	2,265.14
Debentures and Bonds	1,603.87	844.98
Pass Through Securities	75.91	82.33
Government and other Approved Securities	1,756.76	1,007.01
Mutual Funds	192.07	111.47
Commercial Paper	72.51	61.82
Certificate of Deposits	166.76	66.02
Treasury Bills	4.61	357.43
Properties	75.75	27.06
	<u>8,479.47</u>	<u>4,823.26</u>
Less : Fair Value Change	0.68	0.06
(C)	<u>8,478.79</u>	<u>4,823.20</u>
[(A)+(B)+(C)]	<u>15,443.34</u>	<u>8,750.38</u>

Schedule 6
CURRENT ASSETS, LOANS AND ADVANCES

	Rupees in crores	As at March 31, 2008 Rupees in crores	As at March 31, 2007 Rupees in crores
CURRENT ASSETS			
Income Accrued on Investments		172.82	112.21
Interest Accrued on Deposits		44.14	28.94
Sundry Debtors (Unsecured)		191.71	141.90
Cash and Bank Balances :			
Cash and Cheques on Hand	138.97		194.29
With Scheduled Banks - Current Accounts	576.15		330.73
- Deposit Accounts	1,169.53		1,447.35
With Reserve Bank of India	10.06		10.06
With Non-Scheduled Banks - Current Accounts	—		0.05
		1,894.71	
		2,303.38	2,265.53
LOANS AND ADVANCES			
Instalments due from borrowers	298.52		227.51
Advances recoverable in cash or in kind or for value to be received [Note 4]	1,413.60		1,294.63
Stock in trade	0.46		0.36
Corporate Deposits	2,057.88		2,371.51
		3,770.46	
		6,073.84	6,159.54

Schedule 7
CURRENT LIABILITIES AND PROVISIONS [Notes 5, 8 and 9]

	Rupees in crores	As at March 31, 2008 Rupees in crores	As at March 31, 2007 Rupees in crores
CURRENT LIABILITIES			
Interest Accrued but not Due	1,161.28		951.44
Sundry Creditors	634.58		491.59
Advance Payments	394.54		124.85
Other Liabilities	659.85		529.22
		2,850.25	2,097.10
PROVISIONS			
Proposed Dividend - HDFC Ltd.	710.10		556.61
Additional Tax on Proposed Dividend	129.45		96.32
Provision for premium payable on redemption of FRNs and FCCB	57.76		230.22
Provision for Contingencies	490.84		431.55
Provision for Tax (Net of Advance Tax)	122.77		65.15
Provision for Employee Benefits	69.47		55.44
Reserve for Unexpired Risk	85.17		67.72
		1,665.56	
		4,515.81	3,600.11

Schedule 8
FIXED ASSETS

	GROSS BLOCK					DEPRECIATION AND AMORTISATION					NET BLOCK	
	As at March 31, 2007	(3) Additions	Adjustments	Deductions	As at March 31, 2008	As at March 31, 2007	(3) Adjustments	For the Year	Deductions	As at March 31, 2008	As at March 31, 2008	As at March 31, 2007
TANGIBLE												
Land :												
Freehold	22.26	0.02	—	5.61	16.67	—	—	—	—	—	16.67	22.26
Leasehold	3.44	—	—	—	3.44	0.38	—	0.04	—	0.42	3.02	3.06
Buildings :												
⁽²⁾ Own Use	180.50	4.56	(2.57)	0.09	182.40	24.51	(0.19)	2.95	(0.02)	27.29	155.11	155.99
Leasehold Improvements	33.45	6.89	(13.66)	0.16	26.52	14.12	(3.42)	4.01	(0.10)	14.81	11.71	19.33
Computer Hardware	211.22	44.12	(90.44)	3.73	161.17	132.41	(45.18)	5.42	(17.55)	110.20	50.97	78.81
Furniture & Fittings / Office Equipment etc.												
Own Use	205.67	82.46	(39.44)	1.50	247.19	96.33	(11.52)	7.45	(28.50)	120.76	126.43	109.34
Under Operating Lease	1.55	—	—	—	1.55	0.93	—	0.10	—	1.03	0.52	0.62
Vehicles :												
Owned	7.76	1.94	(0.16)	0.77	8.77	4.05	(0.09)	1.52	0.51	4.97	3.80	3.71
Leased	1.40	0.03	(0.45)	0.58	0.40	0.90	(0.26)	0.02	0.51	0.15	0.25	0.50
Leased Assets :												
Plant & Machinery	139.85	—	—	2.17	137.68	139.85	—	—	2.17	137.68	—	—
Vehicles	24.76	—	—	8.39	16.37	24.76	—	—	8.39	16.37	—	—
Computers	1.70	1.19	—	—	2.89	0.37	—	—	(0.90)	1.27	1.62	1.33
Lease Terminal Adjustment	—	—	—	—	—	(2.18)	—	—	—	(2.18)	2.18	2.18
INTANGIBLE												
Computer Software												
Owned	33.85	7.61	(6.86)	—	34.60	22.22	(2.99)	0.63	(8.11)	27.97	6.63	11.63
Leased	0.68	—	—	—	0.68	0.10	—	—	(0.23)	0.33	0.35	0.58
Goodwill	153.39	—	(3.98)	—	149.41	33.31	(3.44)	7.46	—	37.33	112.08	120.08
Website Development	1.41	—	—	—	1.41	1.41	—	—	—	1.41	—	—
	1,022.89	148.82	(157.56)	23.00	991.15	493.47	(67.09)	⁽²⁾ 29.60	⁽¹⁾ (43.83)	499.81	491.34	529.42
Previous Year	939.09	131.82	13.02	61.04	1,022.89	415.32	0.49	55.25	(22.41)	493.47	529.42	523.77

Notes

- (1) Net of depreciation for the year amounting to **Rs. 60.29 crores** (Previous Year Rs. 28.54 crores) included in amounts transferred to policyholders' account.
- (2) Depreciation for the financial year excludes **Rs. 2.29 crores** (Previous Year Rs. 2.13 crores) being depreciation charge on Investment in Properties.
- (3) Represents sale of stake of the jointly controlled entity.

Schedule 9 OPERATING INCOME [Note 7]

	Rupees in crores	For the year ended March 31, 2008 Rupees in crores	Previous Year Rupees in crores
INTEREST INCOME			
Interest on Loans	7,403.86		4,978.95
(Net of Loss on Exchange Rs. 27.57 crores - Previous Year Rs. 2.88 crores)			
Other Interest	625.12		480.03
		8,028.98	5,458.98
Dividends		42.06	61.82
Management and Trusteeship Fees		342.39	206.91
Call Centre and Data Processing Charges		-	187.99
Other Operating Income		155.69	312.00
Surplus from deployment in Cash Management Schemes of Mutual Funds		113.99	42.07
		8,683.11	6,269.77

Schedule 10 INTEREST AND OTHER CHARGES

		For the year ended March 31, 2008 Rupees in crores	Previous Year Rupees in crores
INTEREST			
Loans		1,897.81	1,643.27
(Net of Gain on Exchange Rs. 41.71 crores - Previous Year Rs. 6.38 crores)			
Deposits		1,015.85	867.41
Bonds		2,311.80	1,203.92
Others		0.19	0.02
		5,225.65	3,714.62
OTHER CHARGES		46.31	46.73
(includes Loss / Gain on Exchange Rs. 0.05 crores - Previous Year Loss on Exchange Rs. 0.39 crores)			
		5,271.96	3,761.35

Schedule 11 STAFF EXPENSES [Note 8]

		For the year ended March 31, 2008 Rupees in crores	Previous Year Rupees in crores
Salaries and Bonus		200.22	234.87
Contribution to Provident Fund and Other Funds		20.85	18.29
Staff Training and Welfare Expenses		9.42	15.45
		230.49	268.61

Schedule 12
ESTABLISHMENT EXPENSES

	For the year ended March 31, 2008 Rupees in crores	Previous Year Rupees in crores
Rent	26.42	13.98
Rates and Taxes	2.56	16.89
Repairs and Maintenance - Buildings	3.23	9.09
General Office Expenses	1.42	1.45
Electricity Charges	9.30	13.10
Insurance Charges	0.68	1.09
	43.61	55.60

Schedule 13
OTHER EXPENSES

	For the year ended March 31, 2008 Rupees in crores	Previous Year Rupees in crores
Travelling and Conveyance	15.62	19.78
Printing and Stationery	7.73	8.16
Postage, Telephone and Fax	18.53	32.09
Advertising	38.92	31.58
Repairs and Maintenance - Other than Buildings	6.65	7.93
Office Maintenance	9.11	7.51
Legal Expenses	11.18	6.88
Computer Expenses	3.52	3.47
Directors' Fees and Commission	1.16	1.04
Miscellaneous Expenses	75.75	53.02
Auditors' Remuneration	1.59	1.64
	189.76	173.10

Schedule 14

NOTES FORMING PART OF THE ACCOUNTS

1. The consolidated financial statements comprise the individual financial statements of Housing Development Finance Corporation Limited (HDFC Ltd.), its subsidiaries, jointly controlled entity, associates and the entities over which control is exercised as on March 31, 2008 and for the year ended on that date. The consolidated financial statements have been prepared on the following basis:
 - The financial statements of the Corporation, its subsidiaries and the entities over which control is exercised have been combined on a line-by-line basis by consolidating the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions, resulting in unrealised profits or losses as per Accounting Standard 21 on 'Consolidated Financial Statements' notified by the Companies (Accounting Standards) Rules, 2006.
 - The financial statements of the jointly controlled entity, in the previous year, have been consolidated on a line-by-line basis by consolidating the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions, resulting in unrealised profits or losses, (using the "proportionate consolidation" method) as per Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' notified by the Companies (Accounting Standards) Rules, 2006.
 - The Corporation's investments in associates are accounted for under the equity method and its share of pre-acquisition profits / losses is reflected as goodwill / capital reserve in the carrying value of investments in accordance with the Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' notified by the Companies (Accounting Standards) Rules, 2006.
 - The financial statements of the subsidiaries, the jointly controlled entity, the associates and the entities over which control is exercised used in the consolidation are drawn up to the same reporting date as that of the Corporation, i.e. March 31, 2008.
 - The excess of cost to the Corporation, of its investment in the subsidiaries, jointly controlled entity and the entities over which control is exercised over the Corporation's portion of equity is recognised in the financial statements as Goodwill.
 - The excess of the Corporation's portion of equity of the subsidiaries on the acquisition date over its cost of investment is treated as Capital Reserve.
 - Minority Interest in the net assets of consolidated subsidiaries and the entities over which control is exercised consists of:
 - a) The amount of equity attributable to minorities at the date on which investment in a subsidiary or the entities over which control is exercised is made; and
 - b) The minorities' share of movements in equity since the date the relationship came into existence.
 - Minority interest's share of net profit/loss for the year of the consolidated subsidiaries and the entities over which control is exercised is identified and adjusted against the profit after tax of the group.
 - (i) The financial statements of the following subsidiary companies, all incorporated in India, have been consolidated as per Accounting Standard 21 on 'Consolidated Financial Statements' notified by the Companies (Accounting Standards) Rules, 2006 :

Name of Subsidiary	Proportion of Ownership Interest (%)	
	Current Year	Previous Year
HDFC Developers Ltd.	100.00	100.00
HDFC Investments Ltd.	100.00	100.00
HDFC Holdings Ltd.	100.00	100.00
HDFC Asset Management Co. Ltd.	60.00	50.10
HDFC Trustee Co. Ltd.	100.00	100.00
HDFC Realty Ltd.	100.00	100.00
GRUH Finance Ltd.	61.50	61.52
HDFC Venture Capital Ltd.	80.50	80.50
HDFC Ventures Trustee Co. Ltd.	100.00	100.00
HDFC Sales Pvt. Ltd. (Formerly Home Loan Services India Pvt. Ltd.)	100.00	100.00
HDFC Property Ventures Ltd.	100.00	100.00

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

- (ii) The financial statements of the following entities, over which control is exercised, both incorporated in India, have been consolidated as per Accounting Standard 21 on 'Consolidated Financial Statements' notified by the Companies (Accounting Standards) Rules, 2006 :

Name of the Entity	Proportion of Ownership Interest (%)	
	Current Year	Previous Year
HDFC Investment Trust	100.00	Nil
HDFC PROPERTY FUND – Scheme - HDFC IT Corridor Fund	91.36	35.19

- a) Current year being first year of operation, the financial statements of HDFC Investment Trust are for the period August 24, 2007 to March 31, 2008.
- b) Consequent to the investment in the above entities, the consolidated net worth is higher by Rs. 471.32 crores and the consolidated profit is lower by Rs. 1.68 crores.

- (iii) The financial statements of the following subsidiary companies, both incorporated in India, which are in the nature of jointly controlled entities, have been consolidated as per Accounting Standard 21 on 'Consolidated Financial Statements' notified by the Companies (Accounting Standards) Rules, 2006.

Name of Subsidiary (Jointly Controlled Entity)	Proportion of Ownership Interest (%)	
	Current Year	Previous Year
HDFC Standard Life Insurance Co. Ltd.	72.56	79.06
HDFC ERGO General Insurance Co. Ltd. (Formerly HDFC Chubb General Insurance Co. Ltd.)	74.00	74.00

Minority interest in HDFC Standard Life Insurance Co. Ltd. is adjusted for **Rs. Nil** (Previous Year Rs. 28.74 crores) being share application money received pending allotment of **Nil** (Previous Year 2.87 crores) shares. Consequently, HDFC Ltd.'s share in HDFC Standard Life Insurance Co. Ltd. is calculated at **72.56%** (Previous Year 79.06%).

- (iv) In previous year, Intelenet Global Services Pvt. Ltd. (IGSL) had been consolidated as a jointly controlled entity in accordance with Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' notified by the Companies (Accounting Standards) Rules, 2006.

IGSL had made investments in the following wholly owned subsidiaries, which have been consolidated in the previous year as per Accounting Standard 21 on 'Consolidated Financial Statements' notified by the Companies (Accounting Standards) Rules, 2006.

Name of Subsidiary	Proportion of Ownership Interest (%)	
	Current Year	Previous Year
Intelenet Inc., USA	-	100
Intelenet America Inc., USA	-	100
Intelenet (UK) Limited, UK	-	100
Sparsh BPO Services Limited, India (SBSL)	-	51

During the current year the Corporation has sold its entire shareholding in IGSL; accordingly the same has not been considered for consolidation in the current year.

- (v) Consequent to the above changes in the ownership interest, certain previous year balances have been considered based on current ownership and accordingly the same is reflected in the 'General Reserve'.

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

- (vi) The following amounts are included in the financial statements in respect of the jointly controlled entity, referred to in Note 1(iv) above, based on the proportionate consolidation method:

	Rupees in crores	
	Current Year	Previous Year
ASSETS		
Net Block	-	90.47
Current Assets	-	62.06
Loans & Advances	-	71.72
	-	224.25
LIABILITIES		
Reserves & Surplus	-	40.97
Secured Loans	-	70.38
Unsecured Loans	-	31.17
Current Liabilities	-	39.77
Provisions	-	4.12
	-	186.41
INCOME		
Call Center and Data Processing Fees	-	187.99
Interest Income	-	0.30
Other Income	-	3.06
	-	191.35
EXPENSES		
Interest and Other Charges	-	5.29
Staff Expenses	-	96.47
Establishment Expenses	-	26.76
Other Expenses	-	35.35
Depreciation	-	26.79
Provision for Contingencies	-	1.85
Taxes – Current	-	0.55
Share of Minority Interest	-	0.21
	-	193.27

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

2. HDFC Ltd's investments in the following associates, have been accounted for, under the equity method, in accordance with the Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' notified by the Companies (Accounting Standards) Rules, 2006:

Name of Associate	Nature of Business	Proportion of Ownership Interest (%)	
		Current Year	Previous Year
HDFC Bank Ltd.	Banking Services	23.26	21.56
Indian Association for Savings and Credit	Micro Finance	49.99	49.99
India Value Fund Advisors Pvt. Ltd.	Venture Capital	21.51	21.51

HDFC Ltd's share of profit in HDFC Bank Ltd. has been accounted for based on their consolidated financial statements.

3. (i) During the year, **Rs. 21.02 crores** (Previous Year Rs. 103.49 crores) has been utilised out of the Securities Premium Account in accordance with Section 78 of the Companies Act, 1956. Out of the above, **Rs. 0.12 crores** (Previous Year Rs. 0.60 crores) has been utilised by one of the subsidiary companies towards share and debenture issue expenses and **Rs. 20.90 crores** (Previous Year Rs. 102.89 crores) has been utilised towards the premium payable on the redemption of Foreign Currency Convertible Bonds (FCCB) of HDFC Ltd. HDFC Ltd. has also written back **Rs. 119.17 crores** (Previous Year Rs. Nil) on conversion of FCCBs to the Securities Premium account being the provision for redemption of FCCBs created in the earlier years by debit to the Securities Premium account.
- (ii) The premises owned by one of the subsidiary companies (HDFC Standard Life Insurance Co. Ltd.) used as an office in the past had been reclassified during the year 2005-06 as Investment in Properties. The property has been valued by an expert during the year and the gain of **Rs. 39.20 crores** (Previous Year Rs. Nil) on revaluation arising due to change in carrying amount of the investment property is taken to the Revaluation Reserve.
4. Advances recoverable in cash or in kind includes Advance Tax (net of Provision for Taxation) **Rs. 394.61 crores** (Previous Year Rs. 327.47 crores).
5. (i) Reserve for Unexpired Risk represents proportion of net premium written relating to the period of insurance subsequent to the Balance Sheet date, calculated on the basis of 1/365th method, or as required under section 64V(1)(ii)(b) of the Insurance Act, 1938, whichever is higher in respect of a subsidiary company [HDFC ERGO General Insurance Co. Ltd. (Formerly HDFC Chubb General Insurance Co. Ltd.)].
- (ii) The balance in the funds for future appropriation account amounting to **Rs. 24.70 crores** (Previous Year Rs. 5.95 crores) included under Policy Liabilities (Policyholders' Fund) represents funds, the allocation of which, either to participating policyholders or to the shareholders, has not been determined at the balance sheet date.
6. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is **Rs. 228.40 crores** (Previous Year Rs. 244.09 crores).
7. (i) Other Operating Income comprises of profit on sale of investments amounting to **Rs. 140.21 crores** (Previous Year Rs. 291.78 crores), income from leases amounting to **Rs. 15.46 crores** (Previous Year Rs. 10.95 crore) and towards profit on sale of properties acquired in satisfaction of debts **Rs. 0.02 crores** (Previous Year Rs. 9.27 crores). The profit on sale of investments excludes Surplus from deployment in Cash Management Schemes of Mutual Funds.
- (ii) Exceptional Items comprises of net profit on sale of investments amounting to **Rs. 677.80 crores** on account of sale of shares of HDFC Standard Life Insurance Co. Ltd. (Subsidiary Company), HDFC General Insurance Co. Ltd. [Formerly HDFC Chubb General Insurance Co. Ltd. (Subsidiary Company)], and Intelenet Global Services Pvt. Ltd. (Jointly controlled Entity) [Previous Year Rs. 33.71 crores on account of sale of shares of HDFC Standard Life Insurance Co. Ltd. (Subsidiary Company) and Rockfort Estate Developers Ltd. (Associate Company)].

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

- (iii) Dividend income includes **Rs. 15.20 crores** (Previous Year Rs. 5.96 crores) in respect of current investments.
 - (iv) Profit on sale of investments includes **Rs. 0.90 crores** (Previous Year Rs. 39.35 crores) in respect of current investments.
 - (v) Other Interest includes interest on investments amounting to **Rs. 148.93 crores** (Previous Year Rs. 115.75 crores) including **Rs. 9.73 crores** (Previous Year Rs. 13.64 crores) in respect of current investments.
 - (vi) Surplus from deployment in Cash Management Schemes of Mutual Funds amounting to **Rs. 113.99 crores** (Previous Year Rs. 42.07 crores) is in respect of investments held as current investments.
8. In accordance with the Accounting Standard on Employee Benefits (AS 15) (Revised 2005) notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures have been made:
- (i) An amount of **Rs. 5.44 crores** being the difference (net of tax effect of Rs. 2.74 crores) between the liability as on March 31, 2007 on employee benefits, determined based on the implementation guidance issued by the Institute of Chartered Accountants of India for AS 15 (Revised) and the liability as per the previous accounting policy of HDFC Ltd. and one of the subsidiary companies, has been adjusted against the opening balance of General Reserve, in terms of AS 15 (Revised).

In the previous year an amount of Rs. 7.57 crores being the difference [net of tax effect of Rs. 3.84 crores] between the liability as on March 31, 2006 on Employee Benefits including defined benefit plans, determined based on the AS 15 (Revised) and the liability as per the pre revised AS 15 had been adjusted against the opening balance of General Reserve, in terms of AS 15 (Revised).

- (ii) The following amounts are recognised in the Profit and Loss Account which are included as under:

	Contributions to Provident Fund and Other Funds under Staff Expenses	Amounts transferred to Policyholders' Account	Rupees in crores Operating Loss from General Insurance Business
Provident Fund	6.20 (3.10)	12.69 (Nil)	0.43 (Nil)
Superannuation Fund	2.55 (1.73)	0.33 (Nil)	0.04 (Nil)
Employees' Pension Scheme-1995	0.95 (0.92)	Nil (Nil)	Nil (Nil)

Figures in brackets pertain to the Previous Year.

The Rules of the Provident Fund in respect of certain companies which are administered by a Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the respective companies. Having regard to the assets of the Fund and the return on the investments, the group does not expect any deficiency in the foreseeable future (except in respect of a subsidiary company which has made a provision of Rs. 0.11 crores in the accounts for the year towards difference in the opening and the closing balance of the Defined Benefit Obligation towards guaranteed return on Provident Fund Investments as per actuarial valuation).

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

- (iii) The details of the Group's post-retirement benefit plans for its employees including whole-time Directors are given below which is certified by the actuaries and relied upon by the respective auditors. Further, since in the previous year only HDFC Ltd. had early adopted AS 15 (Revised), the previous year's figure are not strictly comparable with those of the current year:

	Current Year	Rupees in crores Previous Year
Change in the Benefit Obligations:		
Liability at the beginning of the year	47.34	32.44
Current Service Cost	4.76	2.72
Interest Cost	3.85	2.59
Past Service Cost (Vested benefit)	2.08	—
Benefits Paid	(1.25)	(0.57)
Actuarial Loss	4.73	5.47
Liability at the end of the year *	61.51	42.65
* The Liability at the end of the year Rs. 61.51 crores		
(Previous Year Rs. 42.65 crores) includes Rs. 15.70 crores		
(Previous Year Rs. 12.00 crores) in respect of unfunded plans		
Fair Value of Plan Assets:		
Fair Value of Plan Assets at the beginning of the year	32.05	23.47
Expected Return on Plan Assets	3.00	1.87
Contributions	7.10	4.16
Benefits Paid	(1.25)	(0.57)
Actuarial Loss on Plan Assets	(0.85)	(0.48)
Fair Value of Plan Assets at the end of the year	40.05	28.45
Total Actuarial Loss to be recognised	(5.58)	(5.95)
Actual Return on Plan Assets:		
Expected Return on Plan Assets	3.00	1.87
Actuarial Loss on Plan Assets	(0.85)	(0.48)
Actual Return on Plan Assets	2.15	1.39
Amount Recognised in the Balance Sheet:		
Liability at the end of the year	61.51	42.65
Fair Value of Plan Assets at the end of the year	40.05	28.45
Amount recognised in the Balance Sheet under "Provision for Employee Benefits"	21.46	14.20
Expense Recognised in the Profit and Loss Account:		
Current Service Cost	4.76	2.72
Interest Cost	3.85	2.59
Expected Return on Plan Assets	(3.00)	(1.87)
Net Actuarial Loss to be recognised	5.58	5.95
Past Service Cost (Vested benefit)	2.08	—
Expense recognised in the Profit and Loss Account		
included under Contribution to Provident Fund and Other Funds	12.94	9.39
included under Amounts transferred to Policyholders' Account	0.25	—
included under Operating Loss from General Insurance	0.08	—
	13.27	9.39
Reconciliation of the Liability Recognised in the Balance Sheet:		
Opening Net Liability	15.29	8.97
Expense recognised	13.27	9.39
Contribution by the Group	7.10	4.16
Amount recognised in the Balance Sheet under "Provision for Employee Benefits"	21.46	14.20

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

Investment Pattern:

	% Invested Current Year	% Invested Previous Year
Central Government securities	14.51	14.85
State Government securities / Securities guaranteed by State / Central Government	6.43	8.97
Public Sector / Financial Institution Bonds	18.83	23.62
Private Sector Bonds	1.90	3.16
Special Deposit Scheme	5.53	7.75
Investments in Insurance Companies	48.66	39.65
Investment in Equity Shares	0.86	—
Investment in Liquid / Mutual Funds	0.07	—
Others (including bank balances)	3.21	2.00
Total	100.00	100.00

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at.

Principal Assumptions:

	Current Year %	Previous Year %
Discount Rate	7.50 to 8.25	8
Return on Plan Assets	8 to 9.15	8

9. (i) As per the Housing Finance Companies (NHB) Directions 2001, non-performing assets are recognised on the basis of ninety days overdue. The total provision carried by HDFC Ltd. and one of the subsidiaries in terms of paragraph 25 (2) of the Housing Finance Companies (NHB) Directions 2001 and NHB circular NHB(ND)/DRS/Pol-No.09/2004-05 dated May 18, 2005 in respect of Housing and Non-Housing Loans is as follows:

	Sub-Standard Assets		Doubtful Assets	
	Current Year	Previous Year	Current Year	Previous Year
Housing	29.49	26.04	114.92	113.81
Non-Housing	8.53	3.32	7.11	10.13

Rs. in crores

- (ii) During the year, in addition to the charge of **Rs. 36.23 crores** (Previous Year Rs. 35.27 crores) to the Profit and Loss Account an amount of **Rs. 27.72 crores** (net of Deferred Tax of **Rs. 14.28 crores**) [(Previous Year Rs. Nil) (net of Deferred Tax of Rs. Nil)], has been transferred from Additional Reserve created as per Section 29C of the National Housing Bank Act, 1987 pursuant to circular NHB(ND)/DRS/Pol-No.03/2004-05 dated August 26, 2004 to Provision for Contingencies Account. [Previous Year Rs. 13.12 crores (net of Deferred Tax of Rs. 21.88 crores), has been transferred from Special Reserve No. I to Provision for Contingencies Account.]

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

- (iii) a) Provision for Contingencies as on March 31, 2008 includes provision for non-performing assets, standard assets and all other contingencies amounting to **Rs. 490.84 crores** (Previous Year Rs. 431.55 crores). In accordance with the prudential norms of National Housing Bank, the provision required to be carried forward is **Rs. 229.41 crores** (Previous Year Rs. 154.97 crores).

- b) Movement in Provision for Contingencies Account during the year is as under:

	Current Year	Rs. in crores Previous Year
Opening Balance	431.55	394.92
Reversal on account of Sale of jointly controlled entity	(2.95)	—
Additions during the year	78.23	68.98
Utilised during the year towards loan write offs, Diminution in Value of Investments, Foreign Currency Revaluation, Provision for Securitisation etc.	(15.99)	(32.35)
Closing Balance *	490.84	431.55

- (iv) Provision for Contingencies debited to the Profit and Loss Account includes Provision for Diminution in Value of Investments amounting to **Rs. 10.37 crores** (Previous Year Rs. 8.29 crores). The balance of the provision represents provision made against non-performing assets and other contingencies.
10. (i) Contingent liability in respect of guarantees provided aggregated to **Rs. 152.01 crores** (Previous Year Rs. 82.22 crores).
- (ii) Contingent liability in respect of income-tax demands, net of amounts provided for and disputed, amounts to **Rs. 299.78 crores** (Previous Year Rs. 196.05 crores). The matters in dispute are under appeal. Out of the above an amount of **Rs. 243.67 crores** (Previous Year Rs. 180.96 crores) has been paid/adjusted against refund and the same will be received as refund if the matters are decided in the favour of HDFC Ltd.
- (iii) Contingent liability in respect of Interest tax demands, net of amount provided for and disputed in respect of one of the subsidiary companies amounts to **Rs. 0.23 Crores** (Previous Year Rs. 0.96 crores). The matter in dispute is under appeal. The Company expects to succeed in the proceedings and hence no additional provision is considered necessary.
- (iv) One of the subsidiary companies has received show cause cum demand notices, amounting to **Rs. 26.21 crores** (Previous Year Rs. 30.95 crores), from the Office of the Commissioner, Service Tax, Mumbai on the grounds of excess utilisation of service tax credit for the period September 2004 to March 2007. On considering the appeal filed by the Company, the Commissioner (Adjudication) has reduced the demand. The Company has been advised by an expert that their grounds of appeal are well supported in law. As a result, the Company is confident to defend the appeal against the demand and does not expect the demand to crystallise into liability. The Company has filed an appeal to the Tribunal against the order of the Commissioner (Adjudication).
- (v) Contingent Liability in respect of corporate undertakings provided for securitisation of receivables aggregated to **Rs. 220.12 crores** (Previous Year Rs. 208.94 crores). The outflows would arise in the event of a shortfall, if any, in the cash flows of the pool of the securitised receivables.
- (vi) Proportionate share of claims not acknowledged as debt in respect of an associate company amounts to **Rs. 57.16 crores** (Previous Year Rs. 87.15 crores).

11. As per the Accounting Standard 17 on 'Segment Reporting' notified by the Companies (Accounting Standards) Rules, 2006, the main segments and the relevant disclosure relating thereto are as follows:

Rupees in crores

	Housing		Life Insurance		General Insurance		Asset Management		Call Centre and Data Processing		Others		Inter-Segment adjustments		Unassociated		Total	
	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY
Segment Revenue	8,398.64	6,008.36	33.07	22.69	6.31	*5.30	398.74	213.58	—	191.35	77.83	51.12	(95.17)	(99.21)	—	—	8,819.42	6,393.19
Segment Result	3,432.76	2,004.81	(243.51)	(125.56)	(16.77)	2.50	240.33	119.60	—	(1.16)	22.18	15.72	(29.10)	(87.12)	—	—	3,405.89	1,928.79
Income-tax (Current)															1,045.04	467.16	1,045.04	467.16
Deferred tax															(11.56)	(23.87)	(11.56)	(23.87)
Fringe Benefit Tax															3.40	3.83	3.40	3.83
Total Result	3,432.76	2,004.81	(243.51)	(125.56)	(16.77)	2.50	240.33	119.60	—	(1.16)	22.18	15.72	(29.10)	(87.12)	(1,036.88)	(447.12)	2,369.01	1,481.67
Capital Employed																		
Segment Assets																		
Loans	74,771.67	57,891.45	1.86	1.26	—	—	—	—	—	—	—	—	—	—	—	—	74,773.53	57,892.71
Investments	6,931.65	3,683.70	8,271.55	4,654.13	207.25	169.08	591.94	93.98	—	—	85.37	92.24	(644.42)	57.25	—	—	15,443.34	8,750.38
Current Assets																		
Loans and Advances (Net of Tax)	4,109.05	4,916.66	1,286.77	692.12	67.60	58.66	234.79	54.45	—	130.52	22.66	9.06	(41.64)	(29.40)	394.61	327.47	6,073.84	6,159.54
Fixed Assets	217.16	221.28	132.84	72.75	11.31	14.18	67.95	64.86	—	90.47	1.27	0.95	60.81	64.93	—	—	491.34	529.42
Deferred Tax Asset															156.51	133.46	156.51	133.46
Total Assets	86,029.53	66,713.09	9,693.02	5,420.26	286.16	241.92	894.68	213.29	—	220.99	109.30	102.25	(625.25)	92.78	551.12	460.93	96,938.56	73,465.51
Segment Liabilities																		
Loan Funds	70,924.50	58,498.57	—	—	2.54	2.04	—	0.25	—	101.55	3.50	3.50	(15.12)	(15.75)	—	—	70,915.42	58,590.16
Current Liabilities and Provisions (Net of Tax)	3,380.70	2,879.01	630.25	420.97	180.85	145.44	259.44	70.89	—	43.10	6.34	4.40	(64.54)	(28.85)	122.77	65.15	4,515.81	3,600.11
Deferred Tax Liability															—	0.59	—	0.59
Policyholders' Funds	—	—	8,425.90	4,605.90	—	—	—	—	—	—	—	—	—	—	—	—	8,425.90	4,605.90
Minority Interest	78.59	66.63	174.93	81.83	26.76	24.67	160.01	110.49	—	3.29	—	—	—	—	—	—	440.29	286.91
Total Liabilities	74,383.79	61,444.21	9,231.08	5,108.70	210.15	172.15	419.45	181.63	—	147.94	9.84	7.90	(79.66)	(44.60)	122.77	65.74	84,297.42	67,083.67
Net Segment Assets	11,645.74	5,268.88	461.94	311.56	76.01	69.77	475.23	31.66	—	73.05	99.46	94.35	(545.59)	137.38	428.35	395.19	12,641.14	6,381.84
Other Information																		
Capital Expenditure	17.19	26.86	115.53	37.06	2.22	10.69	12.89	10.35	—	59.49	1.06	0.59	(0.07)	(0.20)	—	—	148.82	144.84
Depreciation	17.44	18.27	—	—	—	—	9.77	7.66	—	26.79	0.63	0.60	4.05	4.06	—	—	31.89	57.38
Non cash expenses other than Depreciation	50.16	45.53	10.58	2.57	0.44	0.81	2.00	—	—	3.96	0.33	0.12	—	—	—	—	63.51	52.99

a) Asset Management segment includes portfolio management, mutual fund and property investment management.

b) Others includes project management, investment consultancy and property related services.

Schedule 14 (Continued)
NOTES FORMING PART OF THE ACCOUNTS

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Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

12. As per the Accounting Standard 18 on 'Related Party Disclosures' notified by the Companies (Accounting Standards) Rules, 2006, the related parties are as follows :

A) Associate Companies

HDFC Bank Ltd.
Indian Association for Savings and Credit

India Value Fund Advisors Pvt. Ltd.

B) Investing Party and its Group Companies

Standard Life Investments Ltd.
Chubb Global Pacific Services (Upto June 27, 2007)
Chubb Pacific Underwriting Management Services Pte. Ltd.
(Upto June 27, 2007)
Chubb Inc. (Upto June 27, 2007)
Munich Re (From February 29, 2008)

Federal Insurance Company (Upto June 27, 2007)
Standard Life Assurance Company
Standard Life (Mauritius Holdings) 2006 Ltd.
ERGO International AG (From February 29, 2008)
ERGO AG (From February 29, 2008)
Barclays Bank PLC (Upto September 19, 2007)
Barclays (H & B) Mauritius Ltd. (Upto September 19, 2007)

C) Key Management Personnel (of the companies referred to in Note 1(i), 1(ii) and 1(iii))

Mr. Deepak S Parekh
Mr. Keki M Mistry
Mr. Deepak M Satwalekar
Mr. Shrirang V Samant (Upto April 30, 2007)
Mr. K G Krishnamurthy

Ms. Renu Sud Karnad
Mr. Milind Barve
Mr. Sudhin Choksey
Mr. Gautam Bhagat

The nature and volume of transactions during the year with the above related parties were as follows:

Rs. in crores

Particulars	Associate Companies		Investing Party and its Group Companies		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
INCOME						
Dividend	48.38	39.63	Nil	Nil	Nil	Nil
Interest	13.60	2.33	0.65	2.70	Nil	Nil
Consultancy and Other Fees	0.03	0.05	0.62	Nil	Nil	Nil
Rent	0.99	0.75	Nil	Nil	Nil	Nil
Profit on Sale of Investments	Nil	Nil	Nil	Nil	Nil	0.11
Reinsurance	Nil	Nil	0.34	0.98	Nil	Nil
Miscellaneous Services	2.37	1.15	Nil	167.32	Nil	Nil
EXPENDITURE						
Interest	Nil	Nil	Nil	Nil	Nil	0.03
Bank and Other Charges	254.60	111.48	Nil	1.02	Nil	Nil
Remuneration	Nil	Nil	Nil	Nil	15.88	12.56
Reinsurance	Nil	Nil	1.74	4.60	Nil	Nil
Preference Dividend	Nil	Nil	1.03	1.25	Nil	Nil
ASSETS						
Investments	1,615.27	225.17	Nil	Nil	Nil	Nil
Deposits	154.08	4.59	Nil	Nil	Nil	Nil
Bank Balance	96.32	2.22	Nil	Nil	Nil	Nil
Others	45.01	0.36	2.63	54.22	0.03	0.03
LIABILITIES						
Deposits	0.25	0.24	Nil	Nil	0.01	Nil
Reinsurance	Nil	Nil	Nil	2.62	Nil	Nil
Proposed Equity Dividend	Nil	Nil	15.10	5.02	Nil	Nil
Short Term Loans	0.84	203.71	Nil	Nil	Nil	Nil
Others	4.76	Nil	Nil	1.13	Nil	Nil

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

The nature and volume of material transactions during the year with the above related parties were as follows:

Rs. in crores

Particulars	Associate Companies		Investing Party and its Group Companies		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
INCOME						
Dividend						
- HDFC Bank Ltd.	48.20	37.87	Nil	Nil	Nil	Nil
Interest						
- HDFC Bank Ltd.	12.97	2.17	Nil	Nil	Nil	Nil
- CHUBB Inc.	Nil	Nil	0.65	2.70	Nil	Nil
Consultancy and Other Fees						
- HDFC Bank Ltd.	0.03	0.75	Nil	Nil	Nil	Nil
- Standard Life Investments Ltd.	Nil	Nil	0.62	Nil	Nil	Nil
Profit on sale of investments						
- Mr. Sudhin Choksey	Nil	Nil	Nil	Nil	Nil	0.11
Rent						
- HDFC Bank Ltd.	0.99	0.75	Nil	Nil	Nil	Nil
Reinsurance						
- Federal Insurance Company	Nil	Nil	0.32	0.98	Nil	Nil
Miscellaneous Services						
- HDFC Bank Ltd.	2.37	1.14	Nil	Nil	Nil	Nil
- Barclays Bank PLC	Nil	Nil	Nil	167.32	Nil	Nil

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

The nature and volume of material transactions during the year with the above related parties were as follows:

Rs. in crores

Particulars	Associate Companies		Investing Party and its Group Companies		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
EXPENDITURE						
Interest						
- Mr. Deepak S Parekh	Nil	Nil	Nil	Nil	Nil	0.03
Bank and Other Charges						
- HDFC Bank Ltd.	254.60	112.09	Nil	Nil	Nil	Nil
- CHUBB Pacific Underwriting Management Services Pte Ltd.	Nil	Nil	Nil	1.02	Nil	Nil
Reinsurance						
- Federal Insurance Company	Nil	Nil	1.66	4.58	Nil	Nil
Preference Dividend						
- Standard Life Investments Ltd.	Nil	Nil	1.03	1.25	Nil	Nil
Remuneration						
- Mr. Deepak S Parekh	Nil	Nil	Nil	Nil	3.74	2.94
- Mr. Keki M Mistry	Nil	Nil	Nil	Nil	2.68	2.04
- Ms. Renu Sud Karnad	Nil	Nil	Nil	Nil	2.53	1.92
- Mr. Deepak M Satwalekar	Nil	Nil	Nil	Nil	1.84	1.45
- Mr. Milind Barve	Nil	Nil	Nil	Nil	3.52	2.46

The nature and volume of material transactions during the year with the above related parties were as follows:

Rs. in crores

Particulars	Associate Companies		Investing Party and its Group Companies		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
ASSETS						
Investments						
- HDFC Bank Ltd.	1,614.09	223.98	Nil	Nil	Nil	Nil
Deposits						
- HDFC Bank Ltd.	154.08	4.59	Nil	Nil	Nil	Nil
Bank Balance						
- HDFC Bank Ltd.	96.32	2.22	Nil	Nil	Nil	Nil
Others						
- HDFC Bank Ltd.	45.01	0.36	Nil	Nil	Nil	Nil
- Barclays Bank PLC	Nil	Nil	Nil	51.72	Nil	Nil
- Standard Life Assurance Company	Nil	Nil	2.01	Nil	Nil	Nil
- Standard Life Investments Ltd.	Nil	Nil	0.62	Nil	Nil	Nil
- Mr. Sudhin Choksey	Nil	Nil	Nil	Nil	0.03	0.03

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

The nature and volume of material transactions during the year with the above related parties were as follows:

Rs. in crores

Particulars	Associate Companies		Investing Party and its Group Companies		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
LIABILITIES						
Deposits						
- HDFC Bank Ltd.	0.25	0.23	Nil	Nil	Nil	Nil
- Ms. Renu Sud Karnad	Nil	Nil	Nil	Nil	0.01	Nil
Reinsurance						
- Federal Insurance Company	Nil	Nil	Nil	2.48	Nil	Nil
Proposed Equity Dividend						
- Standard Life Investments Ltd.	Nil	Nil	15.10	5.02	Nil	Nil
Short Term Loans						
- HDFC Bank Ltd.	0.84	203.71	Nil	Nil	Nil	Nil
Others						
- CHUBB Pacific Underwriting Management Services Pte Ltd.	Nil	Nil	Nil	1.13	Nil	Nil
- HDFC Bank Ltd.	4.76	Nil	Nil	Nil	Nil	Nil

13. In accordance with the Accounting Standard on 'Leases' (AS 19), notified by the Companies (Accounting Standards) Rules, 2006, the following disclosures are made in respect of Operating and Finance Leases :

- (i) Income from Leases includes **Rs. 15.35 crores** (Previous Year Rs. 16.24 crores) of which **Rs. Nil** (Previous Year Rs. 1.18 crores) is towards contingent rent - in respect of properties and certain assets leased out under Operating Leases. Out of the above, in respect of the non-cancellable leases, the future minimum lease payments are as follows :

Rs. in crores

	Current Year	Previous Year
Not later than one year	11.07	15.68
Later than one year but not later than five years	33.98	42.62
Later than five years	Nil	1.80

- (ii) a) Certain motor cars, Information Technology equipment and Software have been acquired under Finance Lease for an aggregate fair value of **Rs. 2.22 crores** (Previous Year Rs. 2.99 crores). The total minimum lease payments (MLP) in respect thereof and the present value of the future lease payments, discounted at the interest rate implicit in the lease are:

Rs. in crores

Period	Total MLP		Interest		Principal	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Not later than one year	1.24	0.93	0.09	0.12	1.15	0.81
Later than one year but not later than five years	0.92	1.49	0.05	0.12	0.87	1.37
Total	2.16	2.42	0.14	0.24	2.02	2.18

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

- b) Certain motor cars have been acquired under Operating Lease by a subsidiary company. In respect of these operating leases, the lease rentals charged to the Profit and Loss Account are **Rs. 0.45 crores** (Previous Year Rs. 0.44 crores). The minimum future lease rentals payable for specified duration in respect of such leases amount to the following :

Period	Rs. in crores	
	Current Year	Previous Year
Not later than one year	0.46	0.35
Later than one year but not later than five years	0.42	0.51
Total	0.88	0.86

- (iii) Properties under non-cancellable operating leases have been acquired, both for commercial and residential purposes. The total minimum lease payments for the current year, in respect thereof, included under Rent, amount to **Rs. 69.58 crores** (Previous Year Rs. 43.23 crores).

The future lease payments in respect of the above are as follows:

Period	Rs. in crores	
	Current Year	Previous Year
Not later than one year	75.20	49.10
Later than one year but not later than five years	103.12	128.90
Later than five years	26.60	125.63

14. In accordance with the Accounting Standard 20 on 'Earnings Per Share' notified by the Companies (Accounting Standards) Rules, 2006 :

- (i) In calculating the Basic Earnings Per Share the Profit After Tax attributable to the Group of **Rs. 2,713.00 crores** (Previous year Rs. 1,741.98 crores) has been adjusted for amounts utilised out of Shelter Assistance Reserve of **Rs. 5.43 crores** (Previous Year Rs.4.68 crores).

Accordingly the Basic Earnings Per Share has been calculated based on the adjusted Profit After Tax attributable to Group of **Rs. 2,707.57 crores** (Previous Year Rs. 1,737.30 crores) and the weighted average number of shares during the year of **27,05,19,406** (Previous Year 24,98,95,601).

- (ii) The reconciliation between the Basic and the Diluted Earnings Per Share is as follows :

	Rupees	
	Current Year	Previous Year
Basic Earnings Per Share	100.09	69.52
Effect of Outstanding Stock Options	(5.11)	(4.89)
Diluted Earnings Per Share	94.98	64.63

- (iii) The Basic Earnings Per Share has been computed by dividing the adjusted Profit After Tax by the weighted average number of equity shares for the respective periods; whereas the Diluted Earnings Per Share has been computed by dividing the adjusted net Profit After Tax by the weighted average number of equity shares, after giving dilutive effect of the outstanding Stock Options and FCCB for the respective periods. The relevant details as described above are as follows :

	Current Year	Previous Year
Weighted average number of shares for computation of Basic Earnings Per Share	27,05,19,406	24,98,95,601
Diluted effect of outstanding Stock Options and FCCB	1,45,36,562	1,88,98,539
Weighted average number of shares for computation of Diluted Earnings Per Share	28,50,55,968	26,87,94,140

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

15. In compliance with the Accounting Standard 22 on 'Accounting for Taxes on Income' notified by the Companies (Accounting Standards) Rules, 2006, credit has been taken for **Rs. 11.56 crores** (Previous Year Rs. 23.87 crores) in the Profit and Loss Account for the year ended March 31, 2008 towards deferred tax asset (net) for the year, arising on account of timing differences.

Major components of deferred tax assets and liabilities arising on account of timing differences are :

Rupees in crores

	Assets		Liabilities	
	Current Year	Previous Year	Current Year	Previous Year
a) Depreciation	(51.97)	(53.58)	-	5.23
b) Provision for Contingencies	181.33	164.04	-	(2.04)
c) Provision for Employee Benefits	13.78	14.06	-	(0.06)
d) Accrued Redemption Loss (net)	7.91	6.33	-	-
e) Sale of Home Loans	(2.00)	(2.58)	-	-
f) Others (net)	7.46	5.19	-	(2.54)
Total	156.51	133.46	-	0.59

16. (i) As on March 31, 2008, HDFC Ltd. has foreign currency borrowings (excluding FCCB) of **USD 1,079.58 million** equivalent (Previous Year USD 1,068.48 million). The Corporation has undertaken principal only swaps, currency options and forward contracts on a notional amount of **USD 808 million** equivalent (Previous Year USD 777 million) to hedge the foreign currency risk. Further, interest rate swaps on a notional amount of **USD 230 million** equivalent (Previous Year USD 391 million) are outstanding, which have been undertaken to hedge the interest rate risk on the foreign currency borrowings. As on March 31, 2008, HDFC Ltd.'s net foreign currency exposure on borrowings net of risk management arrangements is **USD 447.13 million** equivalent (Previous Year USD 100.17 million).
- (ii) As a part of asset liability management and on account of the increasing response to HDFC's Adjustable Rate Home Loan product as well as to reduce the overall cost of borrowings, HDFC Ltd. has entered into interest rate swaps wherein it has converted its fixed rate rupee liabilities of a notional amount of **Rs. 12,265 crores** (Previous Year Rs. 7,265 crores) as on March 31, 2008 for varying maturities into floating rate liabilities linked to various benchmarks. In addition, HDFC Ltd. has entered into cross currency swaps of a notional amount of **USD 652 million** equivalent (Previous Year USD 643 million) wherein it has converted its rupee liabilities into foreign currency liabilities and the interest rate is linked to the benchmarks of respective currencies.
- (iii) Gains / losses arising out of foreign exchange fluctuations in respect of foreign currency borrowings, net of risk management arrangements, are to the account of HDFC Ltd. Wherever HDFC Ltd. has entered into a forward contract or an instrument that is, in substance, a forward exchange contract, the difference between the forward rate and the exchange rate on the date of the transaction is recognised as income or expense over the life of the contract. The amount of exchange difference in respect of such contracts to be recognised as expense in the Profit and Loss Account over subsequent accounting periods is **Rs. 97.78 crores** (Previous Year Rs. 45.54 crores).
- Other monetary assets and liabilities in foreign currencies are revalued at the rates of exchange prevailing at the year end. The reduced liability, net of risk management arrangements, of **Rs. 8.67 crores** (Previous Year Rs. 4.31 crores [net of loss on mark to market of derivatives Rs.103.04 crores]) arising upon revaluation at the year end (based on the prevailing exchange rate) has been credited to the Provision for Contingencies Account.
- (iv) Cross currency swaps and other derivatives have been marked to market at the year end. The net gain of **Rs. 293.59 crores** on such mark to market of derivatives is included under Advance Payments (Schedule No.7) and not recognised in the Profit and Loss Account in view of the recent announcement by the Institute of Chartered Accountants of India (ICAI) which requires the principle of prudence to be followed in accounting for mark to market gains/losses on derivatives.

17. Figures for the previous year have been regrouped wherever necessary.

Schedule 15

SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

These accounts have been prepared in accordance with historical cost convention, except for revaluation of Investment in Properties of one of the subsidiaries, applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956.

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

2. GAIN OR LOSS ON DILUTION

The gain or loss on account of dilution of stake of HDFC Ltd. in its subsidiaries, associates and entites over which control is exercised is accounted through General Reserve.

3. SYSTEM OF ACCOUNTING

The Group adopts the accrual concept in the preparation of the accounts.

The Balance Sheet and the Profit and Loss Account of the Group are prepared in accordance with the provisions contained in Section 211 of the Companies Act, 1956 read with Schedule VI thereto to the extent possible (except the insurance subsidiaries), and the approvals granted under the Section by the Company Law Board.

4. INFLATION

Assets and liabilities are recorded at historical cost to the Group. These costs are not adjusted to reflect the changing value in the purchasing power of money.

5. INTEREST ON HOUSING LOANS

Repayment of housing loans is generally by way of Equated Monthly Instalments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is payable every month. Interest on loans is computed either on an annual or on a monthly rest basis.

6. INCOME FROM LEASES

Lease rental income in respect of leases is recognised in accordance with the Accounting Standard 19 on 'Leases' notified by the Companies (Accounting Standards) Rules, 2006.

7. INCOME FROM INVESTMENTS

In respect of Investments in Schemes of Unit Trust of India and Other Mutual Funds with assured returns, the income is accounted on an accrual basis.

The gain / loss on account of Investments in Preference Shares, Debentures / Bonds and Government Securities held as long-term investments and acquired at a discount / premium, is recognised over the life of the security on a pro-rata basis.

8. BROKERAGE ON DEPOSITS

Brokerage on deposits, other than incentive brokerage, is amortised over the period of the deposit except in respect of brokerage paid by one of the subsidiary companies. Incentive brokerage, which is payable to agents who achieve certain collection targets, is charged to the Profit and Loss Account.

9. TRANSLATION OF FOREIGN CURRENCY

Assets and liabilities in foreign currencies are converted at the rates of exchange prevailing at the year-end, where not covered by forward contracts. Wherever HDFC Ltd. has entered into a forward contract or an instrument that is, in substance, a forward exchange contract, the difference between the forward rate and the exchange rate on the date of the transaction is recognised as income or expense over the life of the contract. Cross currency swaps and other derivatives have been marked to market at the year end. The net gain on such mark to market derivatives is credited to Advance Payments Account.

Schedule 15 (Continued)

SIGNIFICANT ACCOUNTING POLICIES

10. INVESTMENTS

(i) OTHER THAN INSURANCE COMPANIES

Investments are capitalised at cost inclusive of brokerage and stamp charges and are classified into two categories, viz. Current or Long-term. Provision for diminution in the value of investments is made in accordance with the guidelines issued by the National Housing Bank and the Accounting Standard 13 on 'Accounting for Investments' notified by the Companies (Accounting Standards) Rules, 2006, and is recognised through the Provision for Contingencies Account. The investment in properties is net of provision for depreciation.

(ii) INSURANCE COMPANIES

Investments are made in accordance with the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, the Insurance Regulatory and Development Authority (Investment) (Amendment) Regulations, 2001 and various other circulars / notifications issued by the Insurance Regulatory and Development Authority in this context from time to time.

Investments are recorded at cost, which include brokerage, stamp duty and excludes broken period interest. Investments maturing within twelve months from the balance sheet date and investment made with the specific intention to dispose of within twelve months from the balance sheet date are classified as short-term investments.

All debt securities are considered as "held to maturity" and accordingly stated at historical cost subject to amortisation of premium or accretion of discount on constant yield to maturity basis in the revenue account and the profit and loss account over the period of maturity / holding.

All mutual fund investments are valued at realisable net asset value.

Equity shares are valued at fair value being the lower of the last quoted closing prices on the National Stock Exchange (NSE) and the Mumbai Stock Exchange (BSE).

In case of one of the subsidiary (HDFC Standard Life Insurance Co. Ltd.), Investment property represents land or building held for use other than in services or for administrative purposes. The investment in the real estate investment property is valued at historical cost plus revaluation if any. Revaluation of the investment property is done atleast once in three years. The change in the carrying amount of the investment property is taken to Revaluation Reserve.

11. FIXED ASSETS

Fixed Assets are capitalised at cost inclusive of legal and / or installation expenses. Assets acquired under Finance Leases are accounted in accordance with the Accounting Standard 19 on 'Leases' notified by the Companies (Accounting Standards) Rules, 2006.

12. INTANGIBLE ASSETS

Intangible Assets comprise of system software are stated at cost of acquisition, including any cost attributable for bringing the same to its working condition, less accumulated amortisation and Goodwill arising on account of a scheme of amalgamation in a subsidiary company and a scheme of de-merger in a jointly controlled entity. Any expenses on such software for support and maintenance payable annually are charged to revenue account.

13. DEPRECIATION AND AMORTISATION

Fixed Assets

Depreciation on all Fixed Assets other than Leased Assets and Leasehold Improvements, is provided for the full year in respect of assets acquired during the year. No depreciation is provided in the year of sale.

In respect of Leased Assets and Leasehold Improvements, depreciation is provided on a pro-rata basis from the date of installation / acquisition.

Depreciation on Buildings, Computers, Leased Assets and Leasehold Improvements is calculated as per the straight line method; and on other assets as per the reducing balance method. All assets except Computers and Leased Assets are depreciated at rates specified by the Companies Act, 1956. Depreciation on Computers is calculated at the rate of 25 per cent per annum. Depreciation in respect of finance leases is provided on the straight line method over the primary period of lease or over the specified period, as defined under Section 205(5)(a) of

Schedule 15 (Continued)**SIGNIFICANT ACCOUNTING POLICIES**

the Companies Act, 1956, whichever is shorter. Depreciation in respect of Leasehold Improvement is provided on the straight line method over the primary period of the lease.

In respect of jointly controlled entity, Fixed assets that are to be used exclusively for customers and over which they have a lien are depreciated over the shorter of the estimated useful life or the tenure of contract. Fixed assets acquired on hire purchase basis are amortised over the tenure of the agreement. Leasehold Improvements are amortised over the period of lease or ten years whichever is shorter.

Intangible Assets

Capitalised software is amortised over a period of four years on a straight-line basis. Goodwill arising on account of a scheme of amalgamation in a subsidiary company and a scheme of de-merger in a jointly controlled entity has been amortised on a straight-line basis over a period of 20 years and 10 years respectively.

14. PROVISION FOR CONTINGENCIES

It is ensured that the balance in Provision for Contingencies account is adequate to cover the total principal amount outstanding in respect of all non-performing assets, as also all other contingencies. All loans and other credit exposures where the instalments are over due for ninety days and more are classified as non-performing assets in accordance with the prudential norms prescribed by the National Housing Bank. The provisioning policy of HDFC Ltd. and GRUH Finance Ltd. covers the minimum provisioning required as per the NHB guidelines.

15. EMPLOYEE BENEFITS**Provident Fund and Superannuation Fund Contributions**

The contributions paid / payable during the year towards Provident Fund and Superannuation Fund are charged in the Profit and Loss Account every year. These funds and the schemes thereunder are recognised by the Income-tax authorities and administered by various trustees. In case of certain subsidiaries provident fund contributions are made to the Regional Provident Fund Authority at prescribed rates and are expensed when due.

Gratuity and Post Retirement Pension

The net present value of the obligation towards gratuity to employees and post retirement pension scheme for whole time directors is actuarially determined based on the projected unit credit method, except in case of Dubai branch of HDFC Ltd. where the provision for gratuity is made in accordance with the prevalent local laws. Actuarial gains and losses are immediately recognised in the Profit and Loss Account.

Other Employee Benefits

Compensated absences in form of short term benefits are determined on an undiscounted basis and recognised over the period of service, which entitles the employees to such benefits. Any such benefit which are long term in nature are actuarially determined.

16. INCOME-TAX

The accounting treatment for Income-tax is based on the Accounting Standard 22 on 'Accounting for Taxes on Income' notified by the Companies (Accounting Standards) Rules, 2006. The provision made for Income-tax in the Accounts comprises both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year, arising on account of timing differences, are recognised in the Profit and Loss Account; and the cumulative effect thereof is reflected in the Balance Sheet. The major components of the respective balances of deferred tax assets and liabilities are disclosed in the Accounts.

17. POLICY LIABILITIES

These are determined by the Company's (HDFC Standard Life Insurance Co. Ltd.) appointed Actuary following his annual investigation of the Company's insurance policies.

18. PRELIMINARY EXPENSES

Preliminary Expenses are being written off over a period of 5 years in accordance with the provisions of section 35D of the Income-tax Act, 1961.

INFORMATION WITH REGARD TO SUBSIDIARY COMPANIES

(In terms of the approval u/s 212(8) of the Companies Act, 1956 granted by the Ministry of Company Affairs vide letter No. 47/413/2007-CL - III dated December 6, 2007)

(As on / for the year ended March 31, 2008)

(Amount in crores)

Name of the Subsidiary Company	HDFC Standard Life Insurance Co. Ltd.	HDFC Asset Management Co. Ltd.	HDFC Trustee Co. Ltd.	HDFC ERGO General Insurance Co. Ltd. (Formerly HDFC Chubb General Insurance Co. Ltd.)	GRUH Finance Ltd.	HDFC Developers Ltd.	HDFC Venture Capital Ltd.	HDFC Ventures Trustee Co. Ltd.	HDFC Property Venture Ltd.	HDFC Realty Ltd.	HDFC Investments Ltd.	HDFC Holdings Ltd.	HDFC Sales Pvt. Ltd. (Formerly Home Loan Services India Pvt. Ltd.)
Capital	1,271.00	25.66	0.10	150.00	34.65	0.05	0.50	0.05	1.00	5.75	26.67	0.80	4.01
Reserves / (Debit balance in Profit & Loss Account)	7,793.23	166.60	0.06	(47.09)	155.62	4.12	16.84	0.55	8.45	(5.63)	69.42	2.11	(1.98)
Total Assets (Fixed Assets + Investments (*) + Current Assets + Deferred Tax Asset)	9,689.35	562.55	2.99	286.30	2,022.27	4.38	21.85	0.69	12.92	0.13	96.10	2.91	11.81
Total Liabilities (Debts + Current Liabilities + Deferred Tax Liability)	625.12	370.29	2.83	183.39	1,832.00	0.21	4.51	0.09	3.47	0.01	0.01	-	9.78
Investments (*)	8,696.37	230.02	-	221.01	16.64	-	21.07	0.52	7.13	-	83.97	1.40	-
Total Income (**)	5,816.30	320.17	6.60	(16.33)	202.59	0.10	20.86	0.41	18.65	0.02	23.88	0.23	53.61
Profit / (Loss) before Taxation	(243.51)	176.86	0.01	(16.77)	59.26	0.05	18.49	0.38	12.97	0.01	23.84	0.22	3.69
Provision for Taxation	-	59.12	-	0.23	16.92	0.02	6.03	0.13	4.54	-	0.89	0.04	0.08
Profit / (Loss) after Taxation	(243.51)	117.74	0.01	(17.00)	42.34	0.04	12.46	0.25	8.43	0.01	22.95	0.18	3.61
Proposed Dividend and Tax thereon	-	44.16	-	-	16.21	0.04	-	-	-	-	-	-	-

Notes:

* Includes Investments of Shareholders, Policyholders and Assets held to cover Linked Liability

** Includes Net Premium Income, Investment Income and other Income

Insights

THIRTY FIRST ANNUAL REPORT 2007-08

Social Initiatives

It is often forgotten that business and society go hand in hand. Business is after all a social process. It is linked with different people who are involved as employees, suppliers, customers, and shareholders or simply as members of the community in which the business operates. Costs, sales and profit all have a social element.

The first requirement of business success is sustainable profits. A socially responsible business sustains profits over time and replenishes the capital that it invests in its business and the community. This capital is not only in the form of finance, physical assets and human resources but also reputational (i.e. goodwill) and social. When a business contributes to social capital, it is acting responsibly and ethically. If through planned CSR activities, a business tries to bring about social change, it is not only fulfilling its responsibility but it is also protecting its own future interest.

Over the past three decades, there has been a consistent effort at HDFC to widen its role and scope as a responsible corporate. The following pages illustrate the varied projects supported by the corporation through the Shelter Assistance Reserve and our continued bulk-lending operations in low-income housing and micro-finance.

SHELTER ASSISTANCE RESERVE

The Shelter Assistance Reserve is an internal fund at HDFC that has over the years contributed to the cause of numerous NGOs, public institutions and community-based organisations by supporting them with financial assistance including grants.

During the year, HDFC has partnered with over 170 NGOs and voluntary agencies that have undertaken diverse social and development initiatives, thereby resulting in an overall utilisation of Rs. 5.43 crore. The segment-wise break-up of the utilisation of the Reserve for FY08 is illustrated in the chart below.

Cited below are a few cases in no specific order, with information on some of HDFC's partner NGOs, which were funded out of the Reserve during 2007-08:

The Akshaya Patra Foundation

According to UNESCO's *Education for All - Global Monitoring Report 2007*, close to 13.5 million children in the age group of 6 – 13 years are out of school in India because of poverty and hunger. The Akshaya Patra Foundation aims to address this issue by appeasing hunger and thereby facilitating education.

The Foundation runs a strategic school-meal cum holistic development program making it

one of the largest NGO-run school meal programs in the world. Currently feeding over 8,00,000 students everyday, the Foundation aims to serve one million children by 2010. Eventually, their vision is to ensure that no child in India is left out and every child has equitable access to food, nutrition and sound health.

The Foundation started its activities on a small scale in June 2000, feeding 1,500 children in five schools within Bangalore city. Today, Akshaya Patra reaches out to nearly 3,000 schools across the states of Karnataka, Rajasthan and Uttar Pradesh. In addition, the Foundation has recently started a subsidized mid-day meal program for daily wage labourers on construction sites in the city of Jaipur. This program has been started in partnership with HDFC and the local developer community.

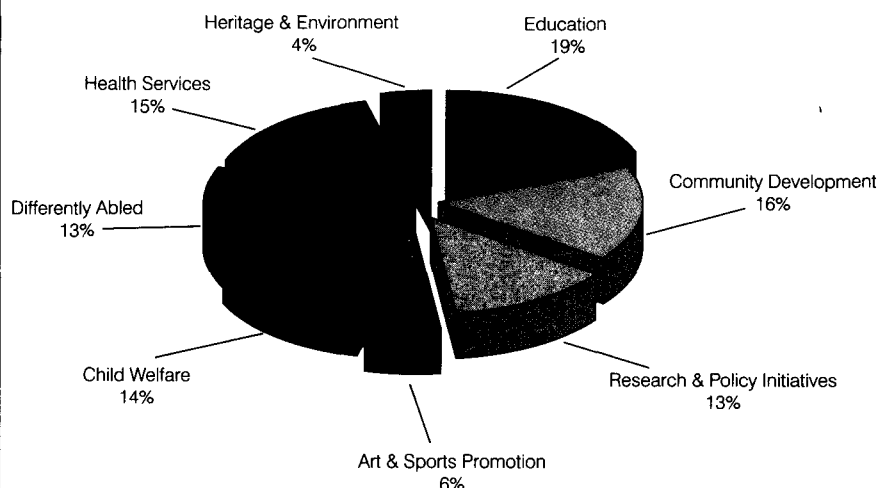
National Association for the Blind

National Association for the Blind (NAB) is one of India's largest and oldest NGOs working for the cause of the visually challenged, empowering them through the medium of education and training. Their aim is to make the visually challenged self-reliant, thereby integrating them with dignity as contributing members of the mainstream society.

NAB has always believed in focusing on the abilities of visually challenged individuals and has followed a professional path in creating opportunities for their growth and empowerment. The organisation has strived to strike the correct balance between the needs of modern / urban and rural blind and has engaged in advocacy and policy level issues for both categories. NAB has also been active on the global arena - it is the founding member of the World Blind Union.

NAB has been distributing brailers to the needy visually challenged school children and employed persons for the last 30 years. A brailier is a simple machine, which is used to write Braille enabling the user to take notes at a considerable speed. To date, the organisation has donated over 500 brailers for educational

Segment-wise Utilisation for 2007-08



purposes in 14 states, either free of cost or at a nominal rent. NAB is currently in touch with several students who are in need of brailers but are unable to afford the same. HDFC partnered with NAB to sponsor new brailers for 50 visually challenged students.

Deepalaya

Conceived as a special project working on the issues affecting poor urban children, Deepalaya is today one of the largest NGOs in Delhi striving to universalise their philosophy that 'every child deserves a chance'. For the past 28 years, Deepalaya has been active in the urban slums of Delhi and has also made inroads into rural development in the state of Haryana. Deepalaya is currently benefiting over 35,000 children and their families by undertaking integrated development projects. Deepalaya's focus and entry point is the child leading to interventions at the level of the family and thereafter the community as a whole. Deepalaya runs over 30 projects in the areas of education, differently-abled, health, gender-equity and institutional care.

Taking into account the poor health and living conditions and the inadequate health-care facilities in slum pockets, Deepalaya plans to run a community health care program in 6 slum clusters in South Delhi, aiming to cover more than 1500 children. HDFC has partnered with Deepalaya in this initiative to render accessible and affordable health care services including information dissemination to the children and their mothers.

Tata Institute of Social Sciences

The Tata Institute of Social Sciences (TISS) was established in 1936, as the first post-graduate school of social work in India. The Institute was set up by Sir Dorabjee Tata Trust in response to Dr. Clifford Manshardt's vision of a school of social work of national stature and it has subsequently influenced the direction of social work education and social research in India. HDFC has been associated with the field action projects of TISS for several years. This year too HDFC supported the Institute on three

projects, highlights of which are mentioned below:

Prayas is an independent field action project undertaken by TISS in the field of criminal justice. The project works with and towards the rehabilitation of prisoners and women in prostitution with an aim to successfully integrate them back into the mainstream society. From working with one prison in 1990, Prayas has impressively grown to working with five prisons, eight police stations, railway police stations, criminal courts, three homes for rescued women and girls and a special juvenile home. HDFC has had a long-standing association with the project supporting its administrative and operational costs, and in the process, HDFC has contributed to the growth of Prayas.

Nav Chetna is a TISS project focusing on children and their rights. The main objective is to create child-friendly support systems, supplement the efforts of the government to provide school education to institutionalized children and work towards the realisation of adivasi (tribal) children's right to education. The project has been started in four institutions in Thane district where Nav Chetna holds workshops on mathematics, sciences and languages, and also works towards the improvisation of the existing school system by coordinating between the school authorities, teachers and parents. HDFC has partnered with TISS in running the program in all four institutions for a period of one year.

Koshish is a relatively new field action project initiated by the TISS in 2006 to work with the homeless people in Mumbai. This initiative aims to address the issue of beggary, destitution and homelessness in a holistic manner, combining elements of basic services such as food, health and legal assistance and also efforts towards rehabilitation. The project is working in partnership with various government and non-government organisations to develop a comprehensive policy framework that would address destitution and homelessness in urban India.

The project currently runs out of a Home in suburban Mumbai and HDFC is funding its operational costs for a period of two years.

Maheer

Maheer (meaning 'Mother's Home' in Marathi) started in 1997 with a house near Pune, functioning as a refuge for women in distress. Today, Maheer has grown into a woman and child-centric NGO working with 85 rural communities around Pune and operating several balwadis, bal-sadans, crèches and women's self-help groups.

Maheer brings together distressed and traumatized women and children from rural areas so as to provide them with a 'home and family' environment. Maheer's homes offer shelter, psychiatric care, childcare, employment training and education. Till date, Maheer has reached out to over 2,200 women and children, most having been rehabilitated and now leading productive lives as part of regrouped families and communities.

Each of the homes run by Maheer have 20 - 25 children with two resident 'house-mothers' assisted by social workers, tuition teachers and counselors. Besides being fed and sheltered, the children are well attended with educational and medical care. The children are also provided with opportunities for acquiring vocational skills of their choice. HDFC has partnered with Maheer towards supporting the operational and running expenses of two homes, which cater to 45 children studying in a nearby Marathi medium school.

Charities Aid Foundation

Salaam Balak Trust

Charities Aid Foundation India (CAF India) is part of the CAF international network. Set up as a public charitable trust in New Delhi in 1998, CAF India's mission has been to increase the flow of resources from corporations and high networth individuals into the not-for-profit sector. CAF India enables donors to efficiently support the causes they care about and helps charities make more from what's given.

The Salaam Balak Trust (SBT) approached HDFC through CAF India for assistance towards construction of a hostel facility for girl children with dormitories and study rooms at a site in Palam Vihar, Gurgaon. The Trust was instituted in 1988 and has been working towards the welfare of street and working children in and around the New Delhi railway station. Nearly 3,500 children have benefited from their services till date.

SBT runs four shelter homes for these children who gain access to education, meals, counseling, boarding facilities, medical help and a wide range of recreational activities. The homes provide the children with a sense of security and an opportunity to benefit from all the critical ingredients of a healthy childhood. For the hostel project at Gurgaon being funded by HDFC, CAF India shall periodically review the progress with SBT and will furnish reports to the donors.

Save The Children India

Save The Children India (STCI) was established in 1988 and has been working towards empowerment of underprivileged children and women with its health, nutrition, education and vocational training programs. The STCI education program has two main components – the balwadis (child care centres) program and the comprehensive study centre program. Through the two programs, STCI is trying to break the monotony of a rigid school system by creating opportunities for underprivileged children for their all round development and successful completion of school education.

Under the education program, STCI runs 125 balwadis and 60 study centres across Mumbai. Each centre caters to 25 children. HDFC has partnered with STCI by funding the operating costs of 20 balwadis and 5 study centres.

LOW-INCOME HOUSING AND MICROFINANCE

Malanadu Development Society

Malanadu Development Society (MDS) is a Kerala-based NGO working for the integral

development of the poor and marginalised communities since 1977. The programs of MDS are mainly directed at the remote and under-developed villages in the districts of Kottayam, Pathanamthitta and Idukki. The Society's mission is to enhance the quality of life of local farmers, women and children through decentralised institution building, participatory development processes and application of sustainable technologies. Their major areas of interventions are sustainable agriculture, animal husbandry and dairying, natural resource management, watershed management, promoting peoples' organisations, housing, sanitation and pre-school education. As on date, more than 17,500 families are participating and benefiting from these interventions.

HDFC has been associated with MDS since 1993 in the areas of weaker section housing and micro-enterprise finance. MDS has successfully implemented two housing programmes covering 700 agricultural labourers with the financial assistance of Rs. 110 lacs from HDFC. In the year 2002, MDS initiated a cow-rearing / animal husbandry project for 500 marginal farmers by accessing a bulk loan of Rs. 50 lacs under HDFC's micro-enterprise finance facility (MFF).

The successful utilisation and positive experience from the first MFF loan encouraged MDS to promote Malanadu Milk Producers Society (MMPS) in the year 2003. The MMPS is a sister organisation of MDS dedicated to the social and economic well-being of milk farmers by organising them into smaller village level milk societies. The MMPS services 128 such milk societies, with a membership of over 14,000 marginal farmers.

MMPS renders several services and technical support to their members, such as – daily collection of milk; processing, packaging and marketing of milk and milk products; veterinary services, promotion of high breeds of cattle, fodder cultivation, medical insurance services etc. – all this, while ensuring respect to nature and its resources. The Society is also engaged

in educating the farmers about rearing healthy livestock breeds and encouraging rain-water harvesting, bio-gas energy, vermi-compost units and agroforestry as alternative technologies for ecological conservation.

MMPS availed a second MFF loan of Rs. 50 lacs from HDFC during 2006, the implementation being carried out through the milk societies of MMPS. The cow-rearing program has provided a means of livelihood for many poor families in the region. Mrs. Ammini Narayanan (49 years), a member of MMPS says, "I was living an impoverished life due to absence of steady income coupled with medical expenses incurred for my husband. With the support of MMPS, I started cow-rearing few years back by taking two cycles of loan and purchased two milch animals. Today, I am able to manage my household expenses and also repay the instalments due to MMPS. Now I wish to expand the existing activity by taking another loan from MMPS".

Prachodhan

- A Central & North India Initiative of ESAF

Evangelical Social Action Forum (ESAF) was established by a group of professionals in the year 1992 as a response to the employment problems faced by the poor. It began as a career guidance organization catering to the rural youth with the vision of developing a fair and compassionate society willing to share resources to grow together. Over the years, ESAF has evolved into a large NGO working towards empowering the poor and marginalized sections, especially women, children and youth by providing access to finance, markets, health-care, skills-training and appropriate technology. While having widespread micro-finance presence in Kerala and Tamil Nadu, ESAF currently operates in 7 states through its 90 branches and reaches out to over 2.25 lac women members.

PRACHODHAN is the Central & North India Initiative of ESAF, which commenced operations in 2005 and now covers the states of Chhattisgarh, Madhya Pradesh, Maharashtra,

Gujarat and Jharkhand. Prachodhan is strategically head-quartered at Nagpur and its programs include microfinance services, livelihood promotion and housing and infrastructure development for the urban poor.

The microfinance wing of Prachodhan has more than 30,000 members and the operations are concentrated more in the remote areas of Raipur, Durg, Kanker and Mahasammund districts in Chhattisgarh; Gadchiroli in Maharashtra and Dumka district in Jharkhand. Prachodhan also runs an urban microfinance program in Nagpur called Street Banking - a lending program catering to the informal vendors who often do not have a formal business structure. Prachodhan has tied up with HDFC Standard Life and HDFC ERGO for providing both life & non-life insurance to their SHG members.

During FY08, HDFC sanctioned a loan of Rs. 50 lacs for the microfinance operations of Prachodhan and Rs. 30 lacs for housing upgradation in respect of 300 clients. The MFF loan has been fully utilized for setting up of micro-enterprise units, while the housing loan stands partly disbursed. Following is the case of a typical Prachodhan borrower:

Sangeeta Farkundey (27 years) is married and settled at Vardhavna village, Nagpur. She has been an active member of a self-help group called SOUMYA at the Wadi branch of Prachodhan for the past eighteen months. She lives with her husband, who is a carpenter, and two small children in a rented house. Her husband's income is not very steady. Yet, they decided to purchase a small plot in the same village, and started constructing their house. Due to their financial struggle, they had to stop the construction mid-way and the house remained incomplete.

As a member of Prachodhan, Sangeeta was introduced to the housing loan product, and she was more than happy to avail this loan. After getting the disbursement, they recommenced the construction work and finally moved into the new

house. It is a dream come true for them. Sangeeta is happy about saving the rental of Rs. 450 per month and she consciously made a provision in their house to have a small home-based business, so that she can augment their household income.

Shalom Trust

Shalom Charitable Ministries of India (Shalom Trust) is a not-for-profit organisation founded in the year 1992 with the objective of reducing poverty by way of social and economic interventions. Towards this end, the Trust started its microfinance program at Palakkad district in the year 2004 with 20 self-help groups (SHGs). This has now grown into a large operation spread across 4 districts (including Coimbatore) with an outreach of over 32,000 clients in urban as well as rural areas.

HDFC began its association with Shalom Trust by sanctioning an MFF loan of Rs. 50 lacs in February 2007. The loan has been disbursed in full to finance micro-enterprise loans for 960 women SHG clients of the Trust.

Bag-making unit at Koduvayur - The case of an SHG client turned entrepreneur

Education and employment are considered essential to realizing gender equality and women's empowerment. However, in the absence of both, it may still be possible to gain financial independence through entrepreneurship, although it is the social relationships that govern access to resources that are critical to the success of a micro-enterprise. A case in point is the story of Aarifa, a member of a self-help group at Koduvayur branch (near Palakkad) of Shalom Trust.

Aarifa belongs to a poor labour class family at Koduvayur, which is a well-known small-scale business centre in Palakkad district. Her life was characterised by lack of regular employment and meagre income leading to poverty. She used to work as an employee in a bag-making unit at Koduvayur while her husband Nawaz

was also engaged in a similar bag-making unit in Palakkad. Unfortunately, two years back, both the units closed down within a space of few months, as they could not run profitably.

The sudden and unexpected unemployment was shocking to the family. In order to overcome the crisis, the couple tried to get employment elsewhere, though all their efforts were in vain. Meanwhile, they developed an idea to start their own bag-making unit. They initially approached local banks to avail a small working capital loan to start the activity. However, in the absence of any collateral security, the banks refused to lend.

This led to despair in the family and gradually Aarifa was forced to withdraw her two children (8 and 12 years old) from the school. In the meantime, she had become a member in Shalom's self-help group and could convey her circumstances to the group secretary and Shalom's social worker. The Trust offered her an income-generation loan of Rs. 8,000 to set up the bag-making unit and for purchase of raw materials.

It was a humble beginning. Her systematic approach, hard work and dedication along with the monetary and moral support from Shalom Trust, helped her to ensure robust sales and fresh orders for her products.

Gradually she started marketing in the remote areas of the district and captured several pockets. With the help of her husband, she managed to get some permanent customers for her products. Today, there is a drastic change in her life. Her two children again started going to the school. She is earning well through the business and supporting the family. Her small business has facilitated personal empowerment, economic independence and a sense of respect in her household and in the neighborhood.

Secretarial Compliance Certificate

The Board of Directors

HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

We have examined the registers, records, books and papers of Housing Development Finance Corporation Limited (HDFC) (the Company) having its registered office at 'Ramon House', H T Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020 and having Company Identification Number (CIN) L70100MH1977PLC019916, as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder, Listing Agreements with Stock Exchanges, Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended and also the provisions contained in the Memorandum and Articles of Association of the Company for the period from April 1, 2007 to March 31, 2008. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers and records as required under the provisions of the Act and the Rules made thereunder and the entries therein have been duly recorded.
2. The Company has duly filed the forms, returns and documents with the Registrar of Companies, Maharashtra/Ministry of Corporate Affairs and other authorities as required under the Act and Rules made thereunder.
3. All the requirements relating to the meetings of Directors, Committee of Directors

and Shareholders as well as relating to the minutes of the proceedings thereat have been complied with.

4. The Board of Directors of the Company is duly constituted and during the financial year Dr. Vijay Kelkar has ceased to be a director due to resignation w.e.f. December 31, 2007 and Dr. Jamshed Jiji Irani has been appointed as a Special Director in terms of Articles 125 and 126 of Articles of Association of the Company w.e.f. January 18, 2008.

5. The Directors of the Company have made all the required disclosures under Sections 299 and 274(1)(g) of the Act. The Company has also complied with the requirements in pursuance of the disclosure made by its Directors.

6. The issue of capital and securities is in conformity with the requirement of the Act. The issues of share certificate and the transfer and transmission thereof have been registered properly.

7. The Company has obtained all the necessary approvals of Directors, Shareholders and other authorities as required under the Act.

8. The Company has complied with all the provisions of the listing agreements with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

9. During the year under review, the Company has increased its authorised capital from Rs. 275 crores to Rs. 325 crores.

10. The Company has transferred the dividend declared on June 27, 2007 to separate dividend account on June 28, 2007 and all the unpaid/unclaimed dividend account have been reconciled.

11. During the year under review, the Company has transferred to Investor Education and Protection Fund, dividend amounting to

Rs. 25,08,230 and Rs. 18,17,171 that have not been claimed by the shareholders for the financial year 1999-2000 in accordance with the provisions of the Act.

12. The Company has framed an insider trading code called '**HDFC - Share Dealing Code**' on the lines of model code prescribed under the SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended and the same has been implemented. Mr. Girish V Koliyote, Company Secretary acts as the Compliance Officer.

13. The Company has complied with the disclosure requirements of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and SEBI (Prohibition of Insider Trading) Regulations, 1992.

14. The Company is registered with the Securities and Exchange Board of India (SEBI) as a Share Transfer Agent - Category II and has connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Registration is valid upto April 30, 2008 and Company has made renewal application on January 28, 2008. The Company has complied with the provisions of SEBI (Registrars to an issue and Share Transfer Agents) Regulations, 1993.

15. The Company has complied with the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 during the year under review.

For N. L. BHATIA & ASSOCIATES
Company Secretaries

MUMBAI
April 21, 2008

N. L. BHATIA
FCS - 1176 CP - 422

Shareholders' Information

This section *inter alia* provides information to the shareholders pertaining to the Corporation, its shareholding pattern, means of dissemination of information, service standards, share price movements and such other information as required under point no. 9 of Annexure IC to Clause 49 of the Listing Agreements relating to Corporate Governance.

Registered Office

Ramon House,
H. T. Parekh Marg,
169, Backbay Reclamation,
Churchgate, Mumbai 400 020.
Tel. Nos. : 22-2283 6255, 2282 0282
Fax Nos. : 22-2204 6758, 2204 6834
Website : www.hdfc.com

Investor Services Department (ISD)

Tel Rasayan Bhavan,
Gr. Floor, Tilak Road Extn.,
Opp. BEST Workshop Gate No. 4,
Dadar T.T., Dadar (E), Mumbai 400 014.
Tel. Nos. : 22-2414 6267/68
Fax No. : 22-2414 7301
Email : investorcare@hdfc.com

31st Annual General Meeting (AGM)

Day/Date : Wednesday, July 16, 2008

Time : 3.00 p.m.

Venue : Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020.

Book Closure

The register of members and share transfer books of the Corporation will remain closed from Wednesday, July 2, 2008 to Wednesday, July 16, 2008 (both days inclusive).

Payment of Dividend

The Board of Directors of the Corporation has recommended payment of dividend of 250% (Rs. 25 per share), for the financial year ended March 31, 2008, for approval of the shareholders at the AGM. [Previous year 220% (Rs. 22 per share)].

Dividend entitlement is as follows —

- (i) For shares held in physical form: shareholders whose names appear on the register of members of the Corporation as at the close of business hours on Tuesday, July 1, 2008.
- (ii) For shares held in electronic form: beneficial owners whose names appear in the statements of beneficial position furnished by National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) as at the close of business hours on Tuesday, July 1, 2008.

As is the practice, the dividend, if declared at the AGM, will be dispatched/remitted commencing from the day after the AGM.

Financial Calendar for the Year 2008-09

The tentative schedule for holding meetings of the Audit Committee of Directors/Board of Directors and the 32nd Annual General Meeting is as under:

Nature of meeting	Purpose	Probable date
Audit Committee / Board Meeting	To review and approve the un-audited financial results for the quarter ending June 30, 2008, subject to limited review by the auditors.	July 16, 2008
Audit Committee / Board Meeting	To review and approve the un-audited financial results for the quarter / half-year ending September 30, 2008, subject to limited review by the auditors.	By the fourth week of October 2008
Audit Committee / Board Meeting	To review and approve the un-audited financial results for the quarter / nine months ending December 31, 2008, subject to limited review by the auditors.	By the third week of January 2009

Board Meeting	To review the business plans for the next financial year and issues relating to corporate governance.	During last week of March 2009
Audit Committee / Board Meeting	To review and approve the audited financial results and recommend dividend, if any, for the financial year ending March 31, 2009.	By the first week of May 2009
Audit Committee / Board Meeting	To review and approve the un-audited financial results for the quarter ending June 30, 2009, subject to limited review by the auditors.	By the third week of July 2009
32nd Annual General Meeting	Adoption of annual accounts, declaration of dividend, re-appointment of directors, re-appointment of auditors etc.	

Listing on Stock Exchanges

Equity Shares

The equity shares of the Corporation are listed on the following stock exchanges and are tradable on all recognised stock exchanges in India:

Bombay Stock Exchange Limited (BSE)

Rotunda Building,
P J Towers,
Dalal Street, Fort,
Mumbai 400 001.
Tel. Nos. : 22-2272 1233/34
Fax No. : 22-2272 3121
Email : listing@bseindia.com
Website : www.bseindia.com

National Stock Exchange of India Limited (NSE)

Exchange Plaza,
Bandra-Kurla Complex,
Bandra (East),
Mumbai 400 051.
Tel. No. : 22-2659 8190
Fax No. : 22-2659 8191
Email : ignse@nse.co.in
Website : www.nseindia.com

Stock Exchange Codes:

BSE - 500010
NSE - HDFC EQ

Reuters Codes:

BSE - HDFC.BO
NSE - HDFC.NS

Bloomberg Codes:

BSE - HDFC
NSE - NHDFC

ISIN: INE001A01028

Foreign Currency Convertible Bonds (FCCB)

The Zero Coupon Foreign Currency Convertible Bonds due 2010 are listed on:

Singapore Exchange Securities Trading Limited (SGX-ST)

2, Shenton Way,
19-00 – SGX Centre 1,
Singapore 068804.
Tel. No. : 0065-6236 8888
Fax No. : 0065-6535 6994
Email : webmaster@sgx.com
Website : www.sgx.com
ISIN : XS0228712856

Listing Fees

The listing fees have been paid to the BSE and NSE for the financial year 2008-09 and to SGX-ST for the year 2008.

Investor Services Department (ISD)

"It is our endeavor to engage the best talent, adopt the best practices and make use of the best available technology for the benefit of our valued stakeholders."

HDFC's in-house Investor Services Department (ISD) is registered with the Securities and Exchange Board of India (SEBI) as an in-house Share Transfer Agent – Category II and has connectivity with both the Depositories viz. NSDL and CDSL. The ISD has dedicated and well trained staff to cater to the expectations of over 1,07,000 shareholders with a market capitalisation of Rs. 67,594 crores and 2,241 debenture holders with a portfolio of Rs. 33,927.90 crores (as on March 31, 2008).

The ISD offers services pertaining to share transfers, transmissions, dematerialisation of shares, issue of duplicate/re-validated dividend warrants, issue of duplicate/replaced share certificates, change of address, nomination facility and other related matters apart from facilitating various value added services like remittance of dividend through Electronic Clearing Service (ECS) and Direct Credit Service (DCS) and issues periodic reminders for encashment of unclaimed dividends and sub-division of old share certificates.

Shareholders may send their request for any of the aforesaid services (except request for dematerialisation of shares and post demat services) to the ISD or the Registered Office of the Corporation.

Share Transfer System

The Board of Directors of the Corporation has constituted a Share Transfer Committee (STC) comprising of executive directors of the Corporation, *inter alia* to ratify transfer, transmission, dematerialisation of shares/debentures and to approve issue of duplicate share certificates from time to time.

In terms of clause 49 IV(G) of the Listing Agreements, the board has delegated the authority to approve transfer, transmission, dematerialisation of shares/debentures to Investor Services Committee (ISC) comprising of the company secretary and other senior personnel of the secretarial department so as to ensure that the services are rendered as per the standard operating procedures and within the adopted service standards. The ISC has also been authorized to issue replaced, split and consolidated share certificates and to recommend the issue of duplicate share certificates. A statement of transactions approved/ratified by the STC is tabled at the subsequent meeting of the board for ratification/noting.

Service Standards

HDFC is committed to provide effective and prompt service to its investors. The ISC has been entrusted with the responsibility of ensuring that services are rendered within the adopted service standards. Listed below are the service standards adopted and adhered to by the Corporation.

Nature of Service**

Mode of receipt of request

	Through post*	Over the counter
Sub-division of share(s)	3 days	15 mins
Split/Replacement/Consolidation of share certificate(s)	3 days	15 mins
Issue of duplicate/re-validated dividend warrant(s)	3 days	20 mins
Change of address/ECS/Bank details	3 days	20 mins
Transfer of shares	5 days	-
Transmission of shares/Deletion of name	5 days	15 mins
Transposition of names	5 days	15 mins
Dematerialisation of share certificate(s)	10 days	-
Rematerialisation of share(s)	10 days	-
Issue of duplicate share certificate(s)	30 days	-

* days refers to working days ** subject to receipt of valid documents

For availing any of the aforementioned services, shareholders may contact the ISD. The Corporation has designated an exclusive e-mail ID viz. **investorcare@hdfc.com** which would enable investors to post their grievance and monitor its redressal.

Legal Proceedings

Presently, the Corporation is defending three legal cases filed by the shareholders relating to dispute over title to shares. The Corporation is not in agreement with the claims made by the said shareholders and these cases are not material in nature.

As at March 31, 2008, there is no litigation against the Corporation or any of its executive directors, for any of the alleged offences under the enactments specified in Paragraph I of Part I of Schedule XIII to the Companies Act, 1956.

Investors' Grievances

During the year under review, the Corporation received 1,632 correspondence *inter alia* relating to request for revalidation of dividend warrants, issue of duplicate dividend warrants/share certificates, splitting/consolidation of share certificates, dematerialisation/rematerialisation of share certificates etc. Out of the said correspondence, 9 were in the nature of complaints regarding rejection on dematerialisation of share certificates, issue of duplicate dividend warrants, loss of share certificates and non-receipt of sub-divided shares. The details of correspondence in the nature of complaints received and redressed during the last three financial years are as under:

Received from	No. of complaints received			No. of complaints unresolved as on March 31, 2008
	2005-06	2006-07	2007-08	
Stock Exchanges and SEBI	9	1	6	Nil
NHB, RBI, MCA and others	3	3	2	Nil
Directly received from investors relating to:				
1. Non-receipt of share certificates	Nil	Nil	Nil	Nil
2. Non-receipt of sub-divided shares	Nil	Nil	1	Nil
3. Delay in dematerialisation of shares	Nil	Nil	Nil	Nil
4. Non-receipt of dividend warrants	Nil	Nil	Nil	Nil
5. Non-receipt of annual reports	Nil	Nil	Nil	Nil
6. Non-receipt of bonus shares	Nil	Nil	Nil	Nil
Total No. of complaints received	12	4	9	—
Total No. of complaints redressed	12	4	9	—

The Corporation has redressed the said complaints, within the adopted service standards and no complaint was unresolved as on March 31, 2008.

Compliance

During the year under review, the Corporation has complied with the applicable provisions of the Companies Act, 1956 and the rules framed thereunder, SEBI Act, 1992 and the rules, regulations and guidelines issued by SEBI and the listing agreements. In this connection, compliance certificate issued by Messrs N. L. Bhatia & Associates, Company Secretaries is given elsewhere in the annual report.

Control of Corporation

The Corporation is neither owned nor controlled, directly or indirectly, by any person, entity or government and also does not owe allegiance to any promoter or promoter group. To the best of its knowledge and belief, the Corporation does not have any arrangement, the operation or consequence of which might directly or indirectly result in change in its control or management.

Further, during the year under review, the Corporation has not received any disclosures under Regulation 8 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Voting Rights

All the shares issued by the Corporation carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of 'One Member-One Vote'. If majority of shareholders raise their hands in favour of a particular resolution, it is taken as passed, unless a poll is demanded.

Since the fundamental voting principle in a company is 'One Share-One Vote', if demanded, voting takes place by a poll. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands. No poll has been demanded in any general meeting of the shareholders of the Corporation till date. No business has been transacted at any general meeting of the shareholders of the Corporation, requiring postal ballot.

Website

Online/real time information regarding the Corporation can be accessed at its website, www.hdfc.com.

The 'Investors' section on the website of the Corporation provides online information regarding the performance of the Corporation, share ownership details, disclosures made to stock exchanges on an ongoing basis and answers to frequently asked questions (FAQs) etc. Currently, the Investors' section contains the following information:

- Market Tracker (powered by NSE)
- Introduction/Essentials;
- Service Standards;
- Quarterly/Half-yearly/Annual Financial Results;
- Presentations to Analysts;
- Shareholding pattern for the last six months in addition to quarterly shareholding patterns;
- Information about shares viz., share capital history, stock market data etc.;
- Listing details with links to useful websites;
- Unclaimed Dividend;
- Notices issued in respect of board meeting/AGM, book closure/record dates fixed for payment of dividend, payment of interest/redemption of non-convertible debentures and loss of share certificates;
- FAQs with necessary forms.

The 'Corporate Governance' section on the website of the Corporation provides updates regarding the financial calendar 2008-09 and report on corporate governance for the financial year 2007-08.

Distribution of Shareholding

Shares held by different categories of shareholders and according to the size of holdings as also city-wise distribution of shareholding, as of April 25, 2008, are given below:

According to Category:

Category	No. of shareholders	Shares held in physical form	Shares held in dematerialised form	Total No. of shares held	% to capital
Resident Individuals	1,03,038	63,83,956	2,58,37,379	3,22,21,335	11.34
Foreign Institutional Investors (FIIs)	702	0	17,17,65,795	17,17,65,795	60.47
Foreign Direct Investment	19	0	4,79,77,762	4,79,77,762	16.89
Insurance Companies	32	100	1,54,41,418	1,54,41,518	5.44
Domestic Companies	1,445	1,55,177	43,87,431	45,42,608	1.61
Mutual Funds	185	1,350	1,07,75,352	1,07,76,702	3.79
Banks	54	2,940	4,23,895	4,26,835	0.15
Non-Resident Indians (NRIs) & Overseas Corporate Bodies (OCBs)	1,371	6,650	4,75,330	4,81,980	0.17
Clearing Members (in the depository)	277	0	4,03,450	4,03,450	0.14
Total	1,07,123	65,50,173	27,74,87,812	28,40,37,985	100.00

Shareholding Pattern
(As at April 25, 2008)



Category	(%)
Resident Individuals	11.34
Foreign Institutional Investors (FIIs)	60.47
Foreign Direct Investment	16.89
Insurance Companies	5.44
Domestic Companies	1.61
Mutual Funds	3.79
Banks	0.15
Non-resident Indians (NRIs) & Overseas Corporate Bodies (OCBs)	0.17
Clearing Members	0.14

According to Size:

No. of shares held	Shares held in physical form		Shares held in dematerialised form		Total		
	No. of shareholders	No. of shares	No. of shareholders	No. of shares	No. of shareholders	No. of shares	% to capital
Upto 100	6,048	4,11,934	46,980	15,16,288	53,028	19,28,222	0.68
101 - 500	13,686	39,43,884	29,050	81,54,169	42,736	1,20,98,053	4.26
501-1,000	1,736	12,07,955	4,990	35,93,686	6,726	48,01,641	1.69
1,001-2,500	329	4,93,615	2,145	32,99,169	2,474	37,92,784	1.34
2,501-5,000	39	1,40,905	704	25,05,015	743	26,45,920	0.93
5,001-10,000	19	1,20,410	445	31,63,968	464	32,84,378	1.16
10,001-50,000	12	2,31,470	495	1,20,49,952	507	1,22,81,422	4.32
50,001-1,00,000	0	0	137	1,01,64,085	137	1,01,64,085	3.58
1,00,001 and above	0	0	308	23,30,41,480	308	23,30,41,480	82.04
Total	21,869	65,50,173	85,254	27,74,87,812	1,07,123	28,40,37,985	100.00

According to Location:

City*	No. of shareholders	% to total shareholders	No. of shares held	% to capital
Mumbai	36,288	33.88	26,21,89,878	92.31
Pune	6,703	6.26	19,80,914	0.70
Ahmedabad	5,156	4.81	13,98,018	0.49
New Delhi	5,359	5.00	29,28,220	1.03
Bangalore	4,862	4.54	25,25,041	0.89
Chennai	4,631	4.32	19,32,714	0.68
Kolkata	3,853	3.60	21,73,682	0.77
Vadodara	3,313	3.09	9,08,812	0.32
Hyderabad	2,107	1.97	6,19,521	0.22
Surat	1,026	0.96	2,00,166	0.07
Other cities	33,825	31.57	71,81,019	2.52
Total	1,07,123	100.00	28,40,37,985	100.00

* In case of FIIs, NRIs, OCBs & Foreign Investors who have invested under the FDI route, their address in India has been considered.

Major Shareholders

Details of shareholders holding more than 1% of the paid-up share capital of the Corporation as on April 25, 2008 are given below:

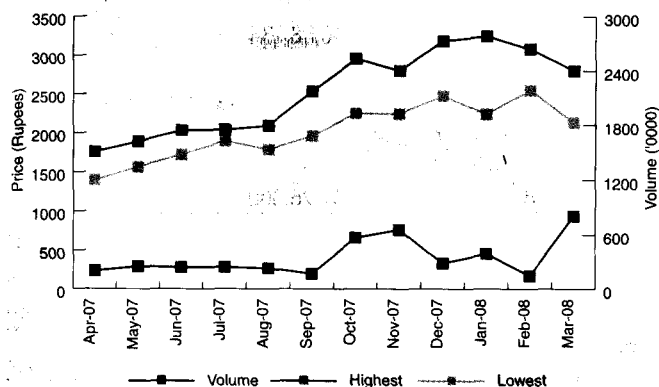
Sr. No.	Name of shareholder	No. of shares	% to capital
1	Citigroup Strategic Holdings Mauritius Ltd.	2,58,93,941	9.12
2	CMP Asia Ltd.	1,52,50,000	5.37
3	DB International (Asia) Ltd.	1,19,21,606	4.20
4	Orient Global Tamarind (Mauritius) Ltd.	1,06,24,604	3.74
5	CLSA (Mauritius) Ltd.	75,18,332	2.65
6	Citigroup Holdings Mauritius Ltd.	74,77,620	2.63
7	Merrill Lynch Capital Markets Espana S.A.S.V.	51,46,223	1.81
8	J.P. Morgan Asset Management (Europe) S.A.R.L. A/c Flagship Indian Investment Company (Mauritius) Ltd.	41,00,000	1.44
9	Calyon	40,88,234	1.44
10	Life Insurance Corporation of India	40,58,361	1.43
11	Aberdeen Asset Managers Ltd. A/c Aberdeen International India Opportunities Fund (Mauritius) Ltd.	39,60,000	1.39
12	Oppenheimer Funds Inc. A/c Oppenheimer Developing Markets Fund	37,26,000	1.31
13	Europacific Growth Fund	36,29,346	1.28
14	Federated Kaufmann Fund	35,87,300	1.26
15	J.P. Morgan Asset Management (Europe) S.A.R.L. A/c JP Morgan Funds – Emerging Markets Equity Fund	34,58,294	1.22

Stock Market Price Data

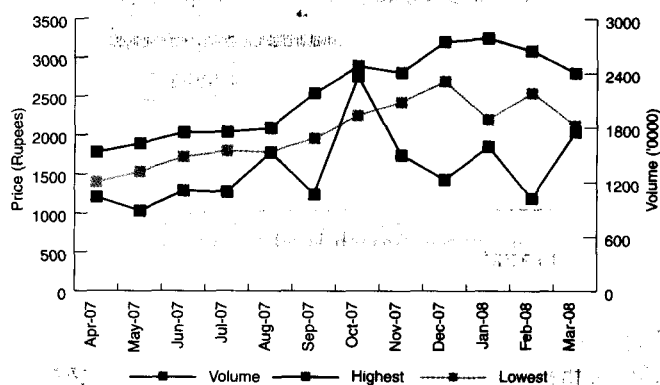
The monthly high and low price and the volume of shares traded on the BSE and NSE during the financial year 2007-08 are as under:

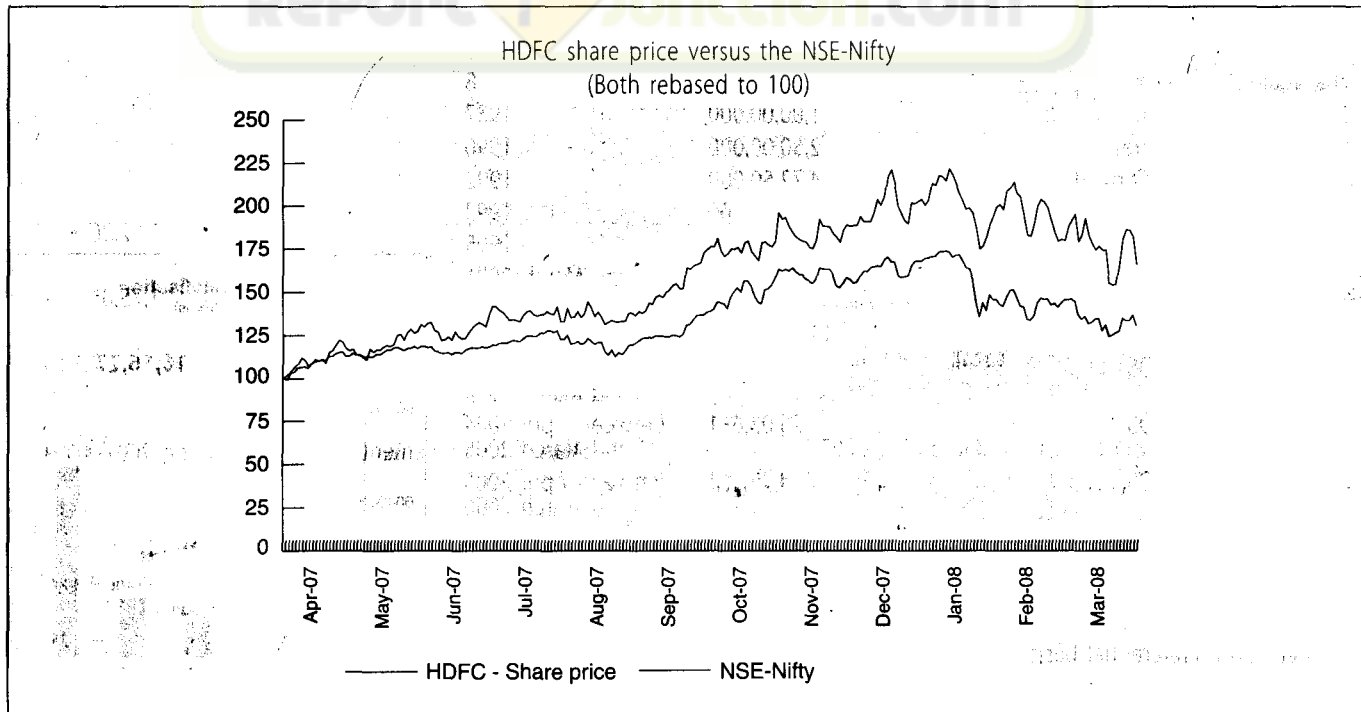
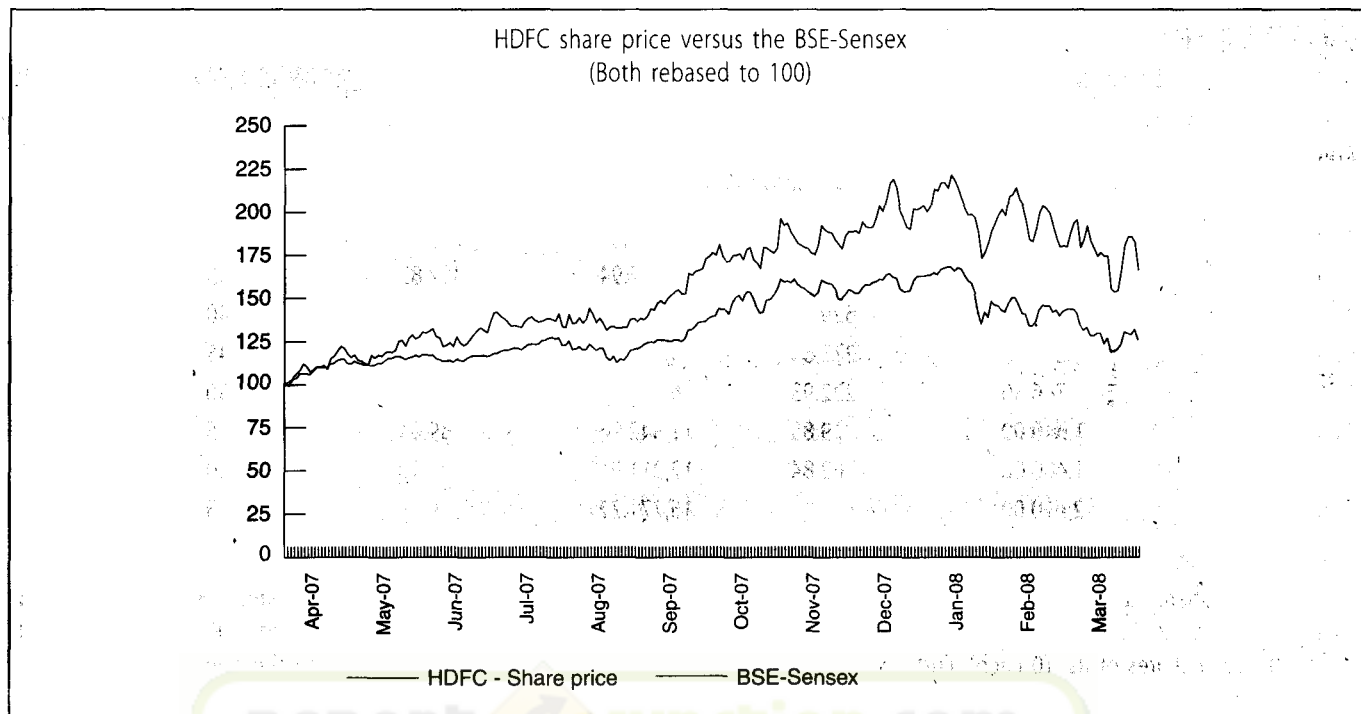
Month	BSE			NSE		
	High (Rs.)	Low (Rs.)	No. of shares traded	High (Rs.)	Low (Rs.)	No. of shares traded
April-07	1,763.90	1,397.10	19,99,101	1,788.00	1,400.00	1,03,72,821
May-07	1,896.00	1,565.20	24,95,405	1,902.00	1,531.90	88,53,742
June-07	2,039.00	1,724.00	23,86,091	2,045.00	1,724.00	1,11,03,444
July-07	2,047.00	1,896.05	24,16,374	2,050.00	1,800.00	1,09,41,448
August-07	2,099.00	1,788.00	22,84,425	2,100.00	1,785.55	1,52,27,852
September-07	2,544.00	1,960.00	16,76,322	2,548.00	1,960.00	1,06,86,560
October-07	2,965.00	2,250.00	56,57,371	2,899.00	2,250.00	2,36,19,199
November-07	2,810.25	2,245.00	65,44,166	2,814.95	2,422.55	1,49,33,551
December-07	3,195.00	2,475.00	28,38,607	3,215.00	2,695.05	1,22,71,477
January-08	3,257.00	2,242.00	39,06,352	3,262.00	2,200.00	1,58,81,443
February-08	3,089.50	2,550.00	14,46,296	3,098.00	2,542.15	1,02,30,284
March-08	2,810.00	2,130.00	80,44,965	2,810.00	2,125.00	1,75,05,692
Total			4,16,95,475	Total		16,16,27,513

Share Price movement on the BSE during 2007-08



Share Price movement on the NSE during 2007-08





Capital Appreciation

The following table shows the opening price of HDFC equity share as quoted on the BSE, on the first trading day of every financial year since 1998 (adjusted to the face value of Rs. 10 per share and issue of bonus shares in the ratio of 1:1) and BSE-Sensex and NSE-Nifty on the said dates.

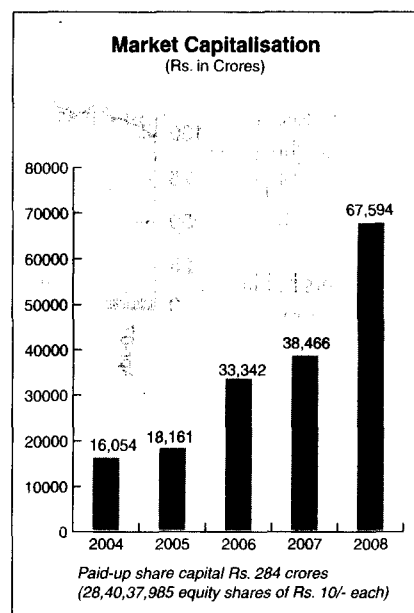
Date	HDFC Share Price (Rs.)	% of appreciation	BSE – Sensex	% of appreciation	NSE – Nifty	% of appreciation
April 1, 1998	161.50	1,392.26	3,901.44	304.25	1,117.15	323.90
April 1, 1999	114.70	2,001.13	3,750.22	320.55	1,082.55	337.45
April 3, 2000	205.95	1,070.19	5,070.50	211.05	1,528.70	209.78
April 2, 2001	266.50	804.32	3,491.41	351.73	1,148.10	312.48
April 1, 2002	342.50	603.65	3,482.94	352.83	1,129.85	319.14
April 1, 2003	330.50	629.20	3,037.54	419.23	977.40	384.52
April 1, 2004	645.00	273.64	5,599.12	181.68	1,771.45	167.33
April 1, 2005	746.30	222.93	6,506.60	142.40	2,035.90	132.61
April 3, 2006	1,340.00	79.85	11,342.96	39.04	3,403.15	39.15
April 2, 2007	1,480.00	62.84	12,811.93	23.10	3,820.00	23.97
April 1, 2008	2,410.00		15,771.72		4,735.65	

From the above table it may be deduced that:

- Price of HDFC share has appreciated by 1,392.26%, compared to appreciation of 304.25% in BSE – Sensex and 323.90% in NSE–Nifty;
- An investment of Rs. 3,230 made on April 1, 1998 in 1 equity share of Rs. 100 each of HDFC has appreciated to Rs. 48,200 on April 1, 2008 (20 equity shares of Rs. 10 each). Further the investor has earned Rs. 2,285 by way of dividend on the said investment.

Equity History

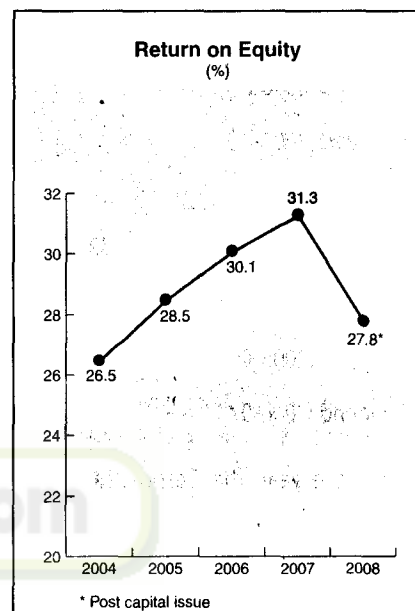
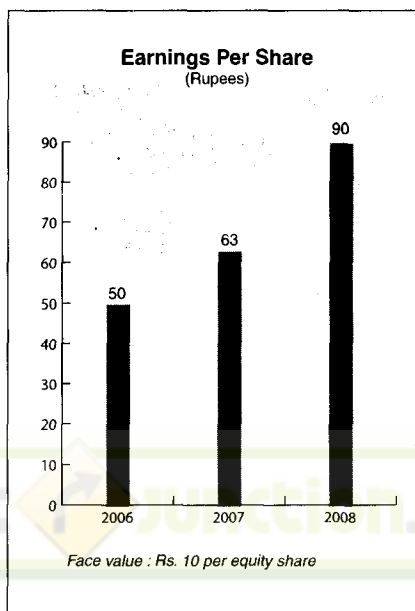
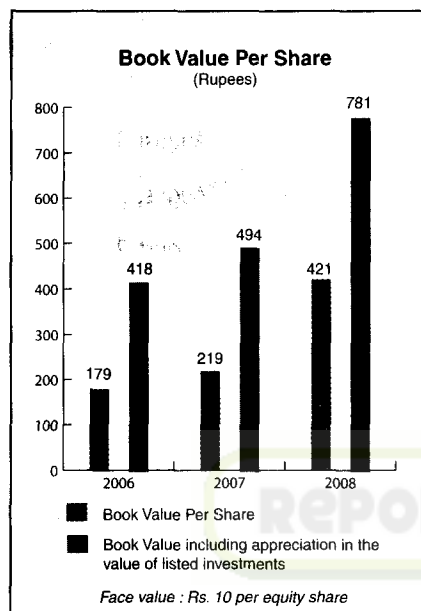
Particulars	No. of shares issued (of Rs. 10 each)	Year / date of issue
Initial Issue	1,00,00,000	1978
Public cum Rights Issue	1,00,00,000	1987
Public cum Rights Issue	2,50,00,000	1990
Rights Issue of Fully Convertible Debenture	4,72,50,000	1992
Private Placement to Financial Institutions	90,00,000	1993
Private Placement to Foreign Investors	1,78,64,000	1995
Allotments under ESOS	28,46,713	Between March 2001 and November 2002
Bonus Issue (1:1)	12,19,60,713	December 30, 2002
Allotments under ESOS	26,95,695	Between January 2003 and March 2004
Allotments under ESOS	25,03,611	Between April 2004 and March 2005
Allotments under ESOS	4,43,201	Between April 2005 and March 2006
Allotments under ESOS	34,42,674	Between April 2006 and March 2007
Allotment on a Preferential basis	1,52,50,000	July 11, 2007 – CMP Asia Limited
Allotment on a Preferential basis	27,50,000	July 24, 2007 – Citigroup Strategic Mauritius Holdings Ltd.
Allotments pursuant to Conversion of FCCB	1,19,33,410	Between September 2007 and March 2008
Allotments under ESOS	10,97,968	Between April 2007 and March 2008
Total	28,40,37,985	



Note: The face value of the equity shares of the Corporation was sub- divided from Rs. 100 to Rs. 10, with effect from August 25, 1999.

Dematerialisation of Shares and Liquidity

The equity share of the Corporation is in the list of scrips specified by SEBI to be compulsorily traded in the dematerialised form. As on April 25, 2008, 97.69% of the issued and paid-up equity share capital is held in dematerialised form and the balance 2.31% is held by 21,869 shareholders in physical form.



OTHER IMPORTANT INFORMATION

Nomination Facility

Every shareholder in a company may at any time, nominate in the prescribed manner, a person to whom his shares in the company shall vest in the event of his death. Nomination can be made by individual shareholders holding shares either singly or jointly. If the shares are held jointly, all the holders may jointly nominate an individual person as their nominee. Nomination stands automatically rescinded on transfer/dematerialisation of shares.

Shareholders holding shares in single name are requested to nominate a person of their choice by submitting the prescribed nomination form i.e., Form 2B, in duplicate, to the ISD. Shareholders holding shares in demat form are requested to contact their Depository Participant (DP).

Unclaimed Dividend

Dividends not encashed or claimed, within seven years from the date of its transfer to the unpaid dividend account, will, in terms of the provisions of Section 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund (IEPF) established by the Government. In terms of the provisions of Section 205C of the Companies Act, 1956, no claim shall lie against the Corporation or the said Fund after the said transfer.

The Corporation apart from sending annual reminder letters requesting the concerned shareholders to encash their dividend warrants, also sends individual reminder letters before any unclaimed dividend amount becomes due for transfer to IEPF. Despite these reminders, there are few shareholders who have not yet claimed their dividends. The due dates for transfer of unclaimed dividend amount to IEPF is as under:

Particulars	Unclaimed dividend as on March 31, 2008 (Rs.)	Unclaimed dividend as % to total dividend	Date of declaration	Due date for transfer to IEPF
Dividend 2000-01	22,98,232	0.15	July 17, 2001	August 22, 2008
Dividend 2001-02	42,14,136	0.16	July 25, 2002	August 30, 2009
Dividend 2002-03	47,72,713	0.18	July 18, 2003	August 23, 2010
Dividend 2003-04	65,51,474	0.20	July 19, 2004	August 24, 2011
Dividend 2004-05	91,48,550	0.22	July 15, 2005	August 22, 2012
Dividend 2005-06	1,20,26,100	0.24	July 18, 2006	August 24, 2013
Dividend 2006-07	1,67,65,870	0.30	June 27, 2007	August 04, 2014

During the year, the Corporation has transferred Rs. 25,08,230 and Rs. 18,17,171 to IEPF being unclaimed dividend in respect of Special Millennium (Interim) and Second Interim dividend for the financial year 1999-2000.

Sub-Division

The Corporation has sub-divided the face value of its equity shares from Rs. 100 each to Rs. 10 each with effect from August 25, 1999. Despite reminders, there are few shareholders who have not yet surrendered their old share certificate(s) [Face value - Rs. 100 each] in exchange of the new share certificate(s) [Face value - Rs. 10 each].

As sub-division of shares is a pre-requisite for dematerialisation/trading, shareholders who have not yet surrendered their old share certificate(s) in exchange of the new share certificate(s) are requested to contact the ISD, at the earliest.

The sub-divided share certificate(s) will be exchanged on receipt of an application in writing duly signed by all the shareholder(s) and subject to their signature verification.

Issue of Duplicate Dividend Warrants

A duplicate dividend warrant can be issued only after the expiry of the validity period of the original warrant. In case the original instrument is not submitted to the Corporation, such duplicate warrant will be issued after the receipt of a letter of undertaking from the shareholder.

Particulars of Bank Account

Shareholders holding shares in physical form are requested to furnish particulars of their bank account directly to the ISD for incorporation of the same on the dividend warrants in order to prevent fraudulent encashment of warrants. Shareholders holding shares in electronic form are requested to furnish their bank account particulars to their DPs only.

Electronic Clearing Service (ECS)

Under this system of payment of dividend, the shareholders get the credit of dividend directly in their designated bank account. This ensures direct and immediate credit with no chance of loss of warrant in transit. Presently, HDFC is able to offer ECS facility to shareholders having bank accounts at any of the bank branches located at Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, Patna, Pune and Thiruvananthapuram.

The Corporation has extended the ECS facility to shareholders having bank accounts at any of the bank branches located at Surat and Vadodara. In this regard, the Corporation has sent letters to shareholders residing in the said cities and holding shares in physical form, requesting them to submit their bank account particulars.

Shareholders holding shares in physical form and desirous of availing ECS facility are requested to furnish particulars of their bank account (including 9 digit MICR code) to the ISD and the said particulars in respect of shares held in electronic form should be furnished to their respective DPs.

ECS in case of shares held in Electronic Form

The statements of beneficial ownership furnished by NSDL and CDSL for the purpose of payment of dividend *inter alia* includes the names, addresses, bank account particulars, 9 digit MICR code of the beneficial owners.

The Corporation will arrange to remit the dividend through ECS, to those beneficial owners whose 9 digit MICR code is available and if the said MICR Code pertains to a bank branch located at any of the cities mentioned above.

In view of the above, shareholders holding shares in electronic form and who wish to avail of the facility of ECS, are requested to inform the 9 digit MICR Code of the bank account for dividend purpose to their respective DPs.

After remittance of dividend amount through ECS, a confirmation will be sent to the concerned shareholders.

Direct Credit System (DCS)

Under DCS, the dividend amount in respect of shareholders maintaining bank account with HDFC Bank Ltd. will be credited directly to their respective bank accounts. After such credit, a confirmation will be sent to the concerned shareholders.

Folio Consolidation

Shareholders holding shares under more than one folio are requested to write to the ISD to consolidate their folios. In case of joint holdings even if the order of names are different, shareholders can have them transposed without payment of stamp duty by sending a request letter duly signed by all the shareholders. Share certificates in respect of shares held under a single folio, can also be consolidated into one certificate, which will facilitate safekeeping and save cost at the time of dematerialisation.

If you need any assistance, please walk in or call any of our offices to experience the warmth, courtesy and professionalism of HDFC.

REGISTERED OFFICE: Mumbai 400 020. Tel: 66316000, 22820282

BRANCH OFFICES:

AGRA Tel: 2526769/70. (Working Days & Hours: Mon to Fri; 10 am to 6 pm & Sat; 10 am to 1 pm) **AHMEDABAD (Navrangpura)** Tel: 66307000. **AHMEDABAD (Maninagar)** Tel: 25450081/2. (Working Days & Hours: Mon to Fri; 10.30 am to 5.30 pm & Sat; 10.30 am to 2.00 pm) **AHMEDABAD (Satellite)** Tel: 26933611/2. (Working Days & Hours: Mon to Fri; 10.30 am to 5.30 pm & Sat; 10.30 am to 2.00 pm) **AHMEDNAGAR** Tel: 2320818/9. (Working Days & Hours: Mon to Fri; 10.30 am to 6.30 pm & Sat; 10.30 am to 1.30 pm) **AJMER** Tel: 2624994/2433392. **AKOLA** Tel: 2442454, 2430244. **ALWAR** Tel: 2702739. **ALLAHABAD** Tel: 2260325. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm, Sat; 9.30 am to 1.30 pm) **AMBALA** Tel: 0171-2630880, 2630711. (Working Days & Hours: Mon to Fri; 9.30 am to 5.30 pm) **AMRAVATI** Tel: 2666009/987. **AMRITSAR** Tel: 5010512, 2500851. **ANAND** Tel: 255514/7. **ANKLESHWAR** Tel: 227771/2. (Working Days & Hours: Mon to Fri; 11 am to 7 pm) **AURANGABAD (Jalna Road)** Tel: 2349300/9500. **BANGALORE (Kasturba Road)** Tel: 41183000, 41183232. **BANGALORE (Jayanagar)** Tel: 26544471. (Working Days & Hours: Mon to Fri; 10 am to 6 pm; Sat: 10 am to 1 pm) **BANGALORE (Koramangala)** Tel: 41101621. (Working Days & Hours: Mon to Fri; 11 am to 6.30 pm & Sat; 10 am to 1 pm) **BANGALORE (Basaveswaranagar)** Tel: 23584222. (Working Days & Hours: Mon to Fri; 10.15 am to 5.30 pm & Sat: 10.15 am to 1.30 pm) **BANGALORE (Electronic City)** Tel: 9900950600. (Working Days & Hours: Mon to Fri; 10.00 am to 5.15 pm & Sat 10.00 am to 1.00 pm). **BAREILLY** Tel: 2477496. **BHARUCH** Tel: 238444, 238555. **BHATINDA** Tel: 501 2218-19. (Working Days & Hours: Mon to Fri; 9.30 am to 5.30 pm & Sat: 10 am to 1 pm) **BHILAI** Tel: 4040840/1. (Working Days & Hours: Mon, Tue & Fri; 9.30 am to 5.15 pm) **BHIWADI** Tel: 512739, 512849. **BHOPAL (MP Nagar)** Tel: 4277772, 4273330. **BHOPAL (Kamla Bhawan)** Tel: 4229990. (Working Days & Hours: Mon to Fri; 12 noon to 6 pm) **BHILWARA** Tel: 232902. **BHUBANESWAR** Tel: 6532020, 2534335, 2534555. **BILASPUR** Tel: 400707, 400210. **BIKANER** Tel: 5130716, 6450909. **BULDHANA** Tel: 246301/2. **BUTIBORI** Tel: 202630. **CALICUT** Tel: 2367656/7. **CHANDIGARH** Tel: 3989123, 3011300. **CHANDRAPUR** Tel: 271563-5. **CHENNAI (Anna Salai)** Tel: 28599300. **CHENNAI (Adyar)** Tel: 23452000/1/2. (Working Days & Hours: Mon & Wed to Sat: 11 am to 7 pm) **CHENNAI (Anna Nagar)** Tel: 23451998/9. (Working Days & Hours: Mon to Fri; 11am to 7pm & Sat; 10am to 2 pm) **CHENNAI (Kodambakkam)** Tel: 24815656, 24815005. (Working Days & Hours: Mon to Fri; 11 am to 7 pm & Sat. 10 am to 2 pm) **CHENNAI (Tambaram)** Tel: 22264122/33. (Working Days & Hours: Mon to Fri; 11am to 7pm & Sat; 10am to 2 pm) **CHENNAI (Velacherry)** Tel: 22435571. (Working Days & Hours: Mon to Fri; 11am to 7pm & Sat; 10am to 2 pm) **CHIPLUN** Tel: 250035/6. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Saturday 9.30 am to 1 pm) **COIMBATORE (Kamaraj Road)** Tel: 4301100. **COIMBATORE (NSR Road)** Tel: 4399881/2. (Working Days & Hours: Mon to Fri; 11 am to 7 pm & Sat 10 am to 2 pm) **CUTTACK** Tel: 2332061, 2332093. **DEHRADUN** Tel: 3296500, 2742219 / 31. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Sat; 9.30 am to 1.30 pm) **DEWAS** Tel: 254550, 404285. (Working Days & Hours: Mon to Thu; 9.30 am to 5.15 pm) **DHULE** Tel: 273500. **DURGAPUR** Tel: 2549778. **ERODE** Tel: 2240928/29. **FARIDABAD** Tel: 0129-2226912/6. (Working Days & Hours: Mon; 11 am to 2 pm & Tue to Sat; 11 am to 7 pm) **GANDHIDHAM** Tel: 228704 / 5. (Working Days & Hours: Monday to Friday - 10.30 am to 6.15 pm & Saturday - 11.00 am to 1.15 pm) **GHAZIABAD** Tel: 2721446, 2723116. (Working Days & Hours: Mon; 11 am to 2 pm; Tue to Sat ; 11 am to 7 pm) **GHAZIABAD (Vaishali)** Tel: 4233253-54. **GOA** Tel: 2429222. (Working Days & Hours: Mon to Fri; 10.30 am to 6 pm & Sat; 10.30 am to 2 pm) **GORAKHPUR** Tel: 3248100. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm, Sat; 9.30 am to 1.30 pm) **GULBARGA** Tel: 241966. (Working Days & Hours: Mon to Fri; 10.45 am to 6 pm, Sat; 10.45 am to 2 pm) **GUNTUR** Tel: 2217538/2268628. (Working Days & Hours: Tue. to Sat.; 11.00 am to 7.00 pm) **GURGAON (M. G. Road)** Tel: 4061772-3. (Working Days & Hours: Mon to Fri; 11 am to 7 pm; Sat; 11 am to 2 pm) **GURGAON (Sector 14)** Tel: 2223940/41 (Working days & Hours Mon. to Fri; 9.30 am to 5.15 pm, Sat; 10 am to 1 pm) **GUWAHATI** Tel: 2666000, 2666915 / 795. **GWALIOR** Tel: 4011970/1/3. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm, Sat; 9.30 am to 1.30 pm). **HARDWAR** Tel: 324100, 265325. (Working Days & Hours: Mon to Fri; 10 am to 5.45 pm & Sat: 10 am to 2 pm) **HOSUR** Tel: 244888. (Working Days & Hours: Mon to Fri; 10 am to 5.15 pm; Sat: 10 am to 1 pm) **HUBLI** Tel: 2356345. (Working Days & Hours: Mon to Fri; 10.30 am to 6 pm & Sat; 10.30 am to 2 pm) **HYDERABAD (Basheer Bagh)** Tel: 66475001 (10 lines). **HYDERABAD (Dilsukhnagar)** Tel: 24540845/47. (Working Days & Hours: Tue to Sat; 11 am to 7 pm) **HYDERABAD (Kukatpally)** Tel: 23155944. (Working Days & Hours: Mon to Sat; 11 am to 7 pm) **HYDERABAD (Panjagutta)** Tel: 23414855/6. (Working Days & Hours: Tue to Sat; 11 am to 7 pm) **HYDERABAD (Tarnaka)** Tel: 27014041, 27006950. (Working Days & Hours: Tue to Sat; 11 am to 7 pm) **INDORE (M G Road)** Tel: 4223300, 4433333. **INDORE (Vijaya Nagar)** Tel: 4026442, 4026789. (Working Days & Hours: Mon to Fri; 3 pm to 7 pm) **INDORE (Prabhu Nagar)** Tel: 4028222. (Working Days & Hours: Mon to Fri; 3 pm to 7 pm) **JABALPUR** Tel: 4065771/7. **JAIPUR (Ashok Marg)** Tel: 5150888, 2377171-3. **JAIPUR (Mansarovar)** Tel: 2781981, 2780989. (Working Days & Hours: Mon to Fri; 11 am to 7 pm) **JAIPUR (Vaishali Nagar)** Tel: 5110410, 5110411. (Working Days & Hours: Mon to Fri; 11 am to 7 pm) **JALANDHAR** Tel: 2225633/4. **JALGAON** Tel: 2220762, 2232015. **JAMMU** Tel: 2434419. (Working Days & Hours: Mon to Fri: 9.30 am to 5.15 pm & Sat: 10 am to 1 pm) **JAMNAGAR** Tel: 2664212 / 13 / 14. (Working Days & Hours: Mon to Fri: 10.00 am to 6.00 pm & Sat: 10 am to 1 pm) **JAMSHEDPUR** Tel: 2424518. **JHANSI** Tel: 3290532. **JODHPUR** Tel: 2644448/9. **KAKKANAD** Tel: 0484-2415555, 6493030. **KANNUR** Tel: 2765850. **KANPUR** Tel: 3259998, 2306744. **KARNAL** Tel: 6451231-32 (Working Days & Hours: Mon to Fri: 9.30 am to 5.30 pm & Sat: 10 am to 1 pm) **KOCHI (M. G. Road)** Tel: 3011200. **KOCHI (Palarivattom)** Tel: 2346684 / 5. (Working Days & Hours: Tue to Sat: 11 am to 7 pm) **KOLHAPUR** Tel: 2664034/5. (Working Days & Hours: 11 am to 7 pm) **KOLKATA (Jeevandeep)** Tel: 23215060, 22886256, 22884645. **KOLKATA (Cooke and Kelvey)** Tel: 22481308, 22481327. **KOLKATA (Salt Lake City)** Tel: 23215949, 23217009. (Working Days & Hours: Tue to Sat; 11 am to 7 pm) **KOLKATA (Behala)** Tel: 24468392. (Working Days & Hours: Tue to Sat; 11 am to 7 pm) **KOLKATA (Garia)** Tel: 24351082, 24357011. (Working Days & Hours: Tue to Sat; 11 am to 7 pm) **KOLLAM** Tel: 3255000, 2762551/2. **KORBA** Tel: 245253/4. **KOTA** Tel: 6450909, 5130888. **KOTTAYAM** Tel: 2304985, 2566136. **LUCKNOW (Ashok Marg)** Tel: 3989123. **LUCKNOW (Aliganj)** Telefax: 0522-2763494. **LUCKNOW (Gomti Nagar)** Tel: 2303770 **LUDHIANA** Tel: 2429856, 5025184, 6543210. **MADURAI** Tel: 2350715/6.

(Working Days & Hours: Mon to Fri; 10 am to 6 pm & Sat; 10 am to 2 pm) **MALAPPURAM** Tel: 2738873/4. **MANGALORE** Tel: 2445220/2425948. (Working Days & Hours: Mon to Fri; 10.45 am to 6 pm & Sat; 10.45 am to 2.45 pm) **MEERUT** Tel: 2768172/3. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Sat; 10 am to 1 pm) **MOHALI** Tel: 2220116, 2220130, 2225774. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Sat 10 am to 1 pm) **MUMBAI (Churchgate)** Tel: 66316000, 22820282. **MUMBAI (Andheri East)*** Tel: 26830048/49/50. **MUMBAI (Andheri West)** Tel: 26733981-3. (Working Days & Hours: Mon & Wed to Sat; 12 noon to 8 pm) **MUMBAI (Andheri-Kurla Road)** Tel: 28304251-3. (Working Days & Hours: Mon & Wed to Sat; 12 noon to 8 pm) **MUMBAI (Borivli)*** Tel: 2893 7152/55, 28907153 **MUMBAI (Chembur)*** Tel: 25291188/8838. **MUMBAI (Malad)*** Tel: 28446307-9. **MUMBAI (Mulund)*** Tel: 25655633/733. **MUMBAI (Lower Parel)** Tel: 6620 0000 (Working Days & Hours : Monday to Friday 11 am to 7 pm) **MUMBAI (Virar)** Tel: 2511654-6. (Working Days & Hours: Tue to Sat; 12.30 pm to 8.30 pm) **AMBARNATH*** Tel: 2603168/9. **KALYAN*** Tel: 2201580/3. **DOMBIVLI*** Tel: 2861473/74. **THANE (Gokhale Road)*** Tel: 25451114-6. **THANE (Vikas Complex)** Tel: 25471568/70. (Working Days & Hours: Mon & Wed to Sat; 12.30 pm to 8.30 pm) **VASHI (Navi Mumbai)** Tel: 65165201-4. **KOPARKHAIRANE (Navi Mumbai)** Tel: 27550615-18. (Working Days & Hours: Tue to Sat; 11 am to 7 pm) **BELAPUR (Navi Mumbai)** Tel: 27561781-4. (Working Days & Hours: Tue to Sat; 11 am to 7 pm) **NERUL (Navi Mumbai)*** Tel: 27718787 (4 lines). **NEW PANVEL*** Tel: 65166242/3/4. **MYSORE** Tel: 2433770. (Working Days & Hours: Mon to Fri; 10.45 am to 6 pm & Sat 10.45 am to 2.45 pm) **NAGERCOIL** Tel: 325500, 237192/93, 227044. (Working Days & Hours: Mon to Fri; 11 am to 7 pm). **NAGPUR** Tel: 2566000, 2527888, 2522123. **NASHIK (Sharanpur Link Road)** Tel: 6606000. **NASHIK (Indira Nagar)** Tel: 2325301, 2325310. (Working Days & Hours: Tue to Sat; 11 am to 7 pm) **NASHIK (Panchavati)** Tel: 2621953/4. (Working Days & Hours: Mon to Fri; 11 am to 7 pm) **NASHIK ROAD** Tel: 2467994/5. (Working Days & Hours: Tue to Sat; 11.30 am to 7.15 pm) **NELLORE** Tel: 2302347. (Working Days & Hours: Tues. to Sat.; 11.00 am to 7.00 pm) **NEW DELHI (Munirka)** Tel: 41115111. (Working Days & Hours: Mon to Fri ; 9.30 am to 5.15 pm & Sat; 10 am to 1 pm) **NEW DELHI (Vikas Puri)** Tel: 28540989/90. **NEW DELHI (Lodhi Road)** Tel: 24643755, 24601574. (Working Days & Hours: Mon to Fri ; 9.30 am to 5.15 pm & Sat; 10 am to 1 pm) **NEW DELHI (Rohini)** Tel: 9810718624. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Sat; 10 am to 1 pm) **NEW DELHI (Dwarka)** Tel: 45572405, 45572406. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Sat; 10.00 am to 1 pm). **NOIDA** Tel: 2512058 / 9. (Working Days & Hours: Mon; 11 am to 2 pm & Tue to Sat; 11 am to 7 pm) **PALAKKAD** Tel: 2536481/2. **PANCHKULA** Tel: 2556464/426 (Working days & Hours Mon to Fri; 9.30 am to 5.15 pm & Sat; 10 am to 1 pm) **PATIALA** Tel: 2209273, 5002786. **PATHANAMTHITTA** Tel: 2271372. **PATNA** Tel: 2320378. **PITHAMPUR** Tel: 252127, 400964. (Working Days & Hours; Mon to Thu; 9.30 am to 5.15 pm) **PONDICHERRY** Tel: 2205421. **PUNE (University Road)** Tel: 25505000. **PUNE (Camp)** Tel: 26351738, 26348602. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Sat; 9.30 am to 1 pm) **PUNE (Chinchwad)** Tel: 27450219, 27481736. **PUNE (Kothrud)** Tel: 25453592/3. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Sat; 9.30 am to 1 pm) **PUNE (Nagar Road)** Tel: 26685258, 26699149. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Sat; 9.30 am to 1 pm) **PUNE (Hadapsar - Magarpatta City)** Tel: 26823114 / 26823541. (Working Days & Hours: Sun, Tue to Sat; 9.30 am to 5.15 pm) **RAJAHMUNDRY** Tel: 2461200. (Working Days & Hours: Tue to Sat; 11 am to 7 pm) **RAIPUR** Tel: 4092585/6, 2520091. **RAJKOT** Tel: 2472337/8. (Working Days & Hours: Mon to Fri; 10 am to 6.15 pm) **RANCHI** Tel: 2331055. **RATLAM** Tel: 406666, 407375. **RENUKOOT** Tel: 252774. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Sat; 11 am to 3 pm) **ROPAR** Tel: 01881-224986, 226986. **SALEM** Tel: 2314486/7. **SANGLI** Tel: 2329892/3. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Sat; 9.30 am to 1 pm) **SATARA** Tel: 226400, 227901. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Sat; 9.30 am to 1 pm) **SILIGURI** Tel: 2640716. **SIMLA** Tel: 2622211. **SOLAPUR** Tel: 2316804/5. (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Sat; 9.30 am to 1 pm) **SURAT (Majura Gate)** Tel: 2479371, 2475954. **SURAT (Adajan)** Tel: 2772258/59. (Working Days & Hours: Tue to Sat; 11 am to 7 pm) **THIRUVANANTHAPURAM** Tel: 3255000, 2325731. **THRISSUR** Tel: 2442565/6. **TIRUCHIRAPALLI** Tel: 2412744, 2414744. **TIRUNELVELI** Tel: 3255000, 2577822/833. (Working Days & Hours: Tue to Sat; 11 am to 7 pm) **TIRUPPUR** Tel: 4242901-2 (Working Days & Hours: Mon to Fri; 9.30 am to 5.15 pm & Sat; 9.30 am to 1.30 pm) **TUTICORIN** Tel: 3255000, 2300707 / 807 (Working Days & Hours: Mon to Fri; 11 am to 7 pm) **UDAIPUR** Tel: 2561060/1. **UJJAIN** Tel: 4010222, (Working Days & Hours: Mon to Fri; 9.30 am to 5.30 pm) **VADODARA** Tel: 2308400, 2356397, 2320240. **VADODARA (Waghodia Road)** Tel: 2514164, 2512364. (Working Days & Hours: Mon to Fri; 11 am to 7 pm) **VAPI** Tel: 2462573/93. **VARANASI** Tel: 2420485/86. **VIJAYAWADA** Tel: 2483262. (Working Days & Hours: Tue to Sat; 11.00 am to 7.00 pm) **VISAKHAPATNAM** Tel: 2552876. (Working Days & Hours: Tue to Sat; 10.30 am to 7 pm) **WASHIM** Tel: 231302/03. **YAMUNA NAGAR** Tel: 320547. **YAVATMAL** Tel: 239941.

International offices:

DUBAI Tel: (009714) 3961825.

LONDON Tel: + 44 (0) 20 7872 5542.

Service associates in Kuwait, Oman, Qatar, Sharjah, Abu Dhabi; Al Khobar, Jeddah and Riyadh in Saudi Arabia.

(Normal working days & Hours: Monday to Friday;
9.30 am to 5.15 pm, except mentioned otherwise)

* Working Days & Hours: Tuesday to Saturday; 12 noon to 8 pm.
(Ambarnath, Kalyan, Thane, Vashi, Koparkhairane, Belapur,
Nerul and New Panvel are listed under Mumbai).

(As of May 2008.)

NOTES



Notice

NOTICE IS HEREBY GIVEN THAT THE **THIRTY-FIRST ANNUAL GENERAL MEETING** OF THE MEMBERS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED WILL BE HELD AT **3.00 P.M. ON WEDNESDAY, JULY 16, 2008**, AT "BIRLA MATUSHRI SABHAGAR", 19, MARINE LINES, MUMBAI 400 020 TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited profit and loss account for the financial year ended March 31, 2008, the balance sheet as at that date and the reports of the directors and the auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a director in place of Mr. D. M. Satwalekar who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. D. N. Ghosh who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Dr. Ram S. Tarneja who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint auditors and to fix their remuneration and in this connection, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Messrs Deloitte Haskins & Sells, Chartered Accountants, be and are hereby re-appointed as auditors of the Corporation to hold office as such from the conclusion of this meeting until the conclusion of the next Annual General Meeting, on a remuneration of Rs. 60,00,000 (Rupees sixty lacs only) plus applicable service tax and reimbursement of out-of-pocket expenses incurred by them for the purpose of audit of the Corporation's accounts at the head office, all its branch offices in India and its branch office at London, United Kingdom."

"RESOLVED FURTHER THAT pursuant to the provisions of Section 228(1) and other

applicable provisions, if any, of the Companies Act, 1956, the Board of Directors of the Corporation be and is hereby authorised to appoint Messrs Deloitte Haskins & Sells, Chartered Accountants as Branch Auditors or any other person who may be qualified to act as such, in consultation with the auditors of the Corporation, and to fix their remuneration, for the purpose of audit of any branch office(s) that may be opened abroad by the Corporation during the period until the conclusion of the next Annual General Meeting."

SPECIAL BUSINESS

7. **To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 228 (1) and other applicable provisions, if any, of the Companies Act, 1956, Messrs Pannell Kerr Forster, Chartered Accountants, be and are hereby re-appointed as Branch Auditors of the Corporation for the purpose of audit of the accounts of the Corporation's branch office at Dubai, to hold office as such from the conclusion of this Meeting until the conclusion of the next Annual General Meeting, on such terms and conditions and on such remuneration, as may be fixed by the Board of Directors of the Corporation, depending upon the nature and scope of their work."

8. **To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, and the provisions of the Articles of Association of the Corporation, Dr. Bimal Jalan be and is hereby appointed as a Director of the Corporation, liable to retire by rotation."

9. **To consider, and if thought fit, to pass, with or without modification(s), the**

following resolution as an Ordinary Resolution:

"RESOLVED THAT the consent of the Corporation be and is hereby accorded under the provisions of Section 293(1)(d) of the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof, to the Board of Directors of the Corporation to borrow from time to time such sum or sums of money as they may deem necessary for the purpose of the business of the Corporation, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Corporation (apart from temporary loans obtained from the Corporation's bankers in the ordinary course of business) and remaining outstanding at any point of time will exceed the aggregate of the paid-up share capital of the Corporation and its free reserves, that is to say, reserves not set apart for any specific purpose; Provided that the total amount up to which monies may be borrowed by the Board of Directors and which shall remain outstanding at any given point of time shall not exceed the sum of Rs. 1,50,000 crores (Rupees one lac fifty thousand crores only)."

10. **To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269 read with Schedule XIII, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof, approval of the Members of the Corporation be and is hereby accorded to the re-appointment of Ms. Renu Sud Karnad as the whole-time director of the Corporation (designated as the 'Joint Managing Director'), for a period of 5 years with effect from May 3, 2008, upon the terms and conditions including remuneration as set out in the draft agreement placed before this meeting and duly initialled

by the Chairman for the purpose of identification, which agreement is hereby specifically approved and sanctioned with authority to the Board of Directors of the Corporation (hereinafter referred to as the 'board' which term shall be deemed to include the Compensation Committee of the Board of Directors) to alter and vary the terms and conditions of the said re-appointment and/or agreement (including authority, from time to time, to determine the amount of salary and commission as also the type and amount of perquisites and other benefits and allowances payable to Ms. Renu Sud Karnad), in such manner as may be agreed to between the board and Ms. Renu Sud Karnad; Provided however that the remuneration payable to Ms. Renu Sud Karnad shall not exceed the limits specified in the said agreement and the limits prescribed under Schedule XIII to the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof."

"RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Ms. Renu Sud Karnad, the remuneration payable to her by way of salary, allowances, commission, perquisites and other benefits shall not without the approval of the Central Government (if required) exceed the limits prescribed under Schedule XIII and other applicable provisions of the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof."

"RESOLVED FURTHER THAT the board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the said re-appointment as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any director(s) and/or officer(s) of the Corporation, to give effect to this resolution."

11. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, including relevant circulars and notifications issued by the Reserve Bank of India (RBI), the relevant provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, (SEBI ESOP Guidelines) issued by the Securities and Exchange Board of India (SEBI), the relevant provisions of the Memorandum and Articles of Association of the Corporation and subject to such other rules, regulations and guidelines that may be issued by the SEBI and/or such other authorities, from time to time and subject to the approvals, consents, permissions and/or sanctions as may be required from appropriate regulatory authorities/institutions or bodies and subject to such terms and conditions as may be prescribed/imposed, the consent of the Corporation be and is hereby accorded to the Board of Directors of the Corporation (hereinafter referred to as the 'board' which term shall be deemed to include the Compensation Committee of Directors constituted by the board to exercise its powers including powers conferred by this resolution) to create, issue, offer and allot equity shares of the aggregate nominal face value not exceeding Rs. 5,69,00,000 (Rupees five crores sixty nine lacs only) represented by 56,90,000 equity shares of Rs. 10 each of the Corporation, fully paid (or such adjusted numbers for any bonus, stock splits or consolidation or other re-organisation of the capital structure of the Corporation as may be applicable, from time to time) to the present and future permanent employees and directors of the Corporation, whether in India or abroad (hereinafter referred to as 'employees'), under Employee Stock Option Scheme - 2008 (ESOS-2008) to be framed by the Corporation in terms of this resolution and on such terms and conditions

and in such tranches as may be decided by the board, in its sole and absolute discretion."

"RESOLVED FURTHER THAT the consent of the Members be and is hereby accorded to the board to grant under ESOS-2008, the options, if any, lapsed or that may lapse under the earlier employee stock option scheme(s) as the board may decide in its absolute discretion."

"RESOLVED FURTHER THAT without prejudice to the generality of the above but subject to the terms mentioned in the explanatory statement to this resolution, which are hereby approved by the Members or any amendment or modification thereof, the board be and is hereby authorised to formulate ESOS-2008 detailing therein all the terms for granting of employee stock options (including terms relating to eligibility of the said employees under ESOS-2008), to grant the options under the said ESOS-2008 (detailing the terms of the options) at such time or times as it may decide in its absolute discretion and is also authorised to determine, in its absolute discretion, as to when the said equity shares are to be issued, the number of shares to be issued in each tranche, the terms or combination of terms subject to which the said shares are to be issued (including the combination of terms for shares issued at various points of time), the conditions under which options vested in employees may lapse, terms relating to specified time within which the employee should exercise his option in the event of his termination or resignation, terms relating to dividend on the shares to be issued, terms relating to the manner in which the fringe benefit tax shall be recovered by the Corporation from the concerned eligible employee under the provisions of the Income-Tax Act, 1961 and the rules made thereunder and such other terms as could be applicable to the offerings of a similar nature."

"RESOLVED FURTHER THAT the board be and is hereby authorised to decide on the number

of options to be granted to each of the non-executive directors; Subject however that the aggregate of such options to be granted to all non-executive directors shall not exceed 3% of the options to be granted under ESOS-2008 in any financial year and in aggregate."

"RESOLVED FURTHER THAT the board be and is hereby authorised to recover the fringe benefit tax (including but not limited to any other charge/cess/levy that may be imposed by the Government of India thereon), if any, payable by the Corporation, pursuant to issue of shares/grant of options under ESOS-2008, from the concerned eligible employee as provided in the ESOS-2008 and subject to the provisions of Section 115WKA of the Income-Tax Act, 1961 and the rules framed thereunder, as amended, from time to time."

"RESOLVED FURTHER THAT subject to the terms stated herein, the equity shares allotted pursuant to this resolution shall

rank *pari passu inter se* and with the existing equity shares of the Corporation, in all respects."

"RESOLVED FURTHER THAT the board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in relation to the formulation and implementation of the ESOS-2008 and to the shares (including to amend or modify any of the terms thereof) issued herein without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the board be and is hereby authorised to vary, amend, modify or alter the terms of the ESOS-2008 in accordance with and subject to any guidelines, rules or regulations that may be issued by any appropriate regulatory/statutory authority."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary in relation thereto."

"RESOLVED FURTHER THAT the board be and is hereby authorised to delegate all or any of the powers herein conferred to any director(s) and/or officer(s) of the Corporation, to give effect to this resolution."

April 30, 2008

By Order of the Board

Registered Office:
Ramon House,
H. T. Parekh Marg,
169, Backbay Reclamation,
Mumbai 400 020.

GIRISH V. KOLIYOTE
Company Secretary

NOTES:

(i) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE CORPORATION. THE PROXY FORM TO BE EFFECTIVE, SHOULD BE LODGED WITH THE CORPORATION AT ITS REGISTERED OFFICE, DULY COMPLETED AND SIGNED NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE MEETING.**

(ii) Proxy shall not vote except on a poll.

(iii) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, sets out all material facts relating to items of special business at Item Nos. 7 to 11 of the Notice dated April 30, 2008 and the same should be taken as part of the Notice.

(iv) Pursuant to the provisions of Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Corporation will remain closed from Wednesday, July 2, 2008 to Wednesday, July 16, 2008 (both days inclusive) for the purpose of payment of dividend.

(v) Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the Meeting, will be despatched/ remitted commencing from the day after the Annual General Meeting to those Members whose names appear in the Register of Members of the Corporation/ statements of beneficial ownership maintained by the depositories as at the close of business hours on Tuesday, July 1, 2008.

(vi) Members holding shares in physical form are requested to promptly notify in writing any changes in their address/bank account details to the Corporation at its Registered Office or to its Investor Services Department (ISD) at 'Tel Rasayan Bhavan', Ground floor, Tilak Road Extension, Opp. BEST Workshop Gate No. 4, Dadar T.T., Dadar (East), Mumbai 400 014.

(vii) Members holding shares in dematerialised form are requested to notify the changes in the above particulars, if any, to their depository participant(s).

(viii) All documents referred to in the notice and explanatory statement shall be available for inspection at the Registered Office of the Corporation during office hours on all days except Saturdays, Sundays and public holidays; between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting.

(ix) The Central Government vide its letter No. 47/413/2007-CL-III dated December 6, 2007 granted its approval exempting the Corporation from the requirement of attaching to its balance sheet, the balance sheet, profit and loss account and the report of the directors and auditors thereon, in respect of all its subsidiary companies. Accordingly, the annual report of the Corporation for the financial year 2007-08 that is being sent to the Members does not contain the said documents of the subsidiary companies. However, the consolidated balance sheet, consolidated profit and loss account and consolidated cash flow statement along with schedules and notes to accounts, forms part of the annual report of the Corporation. Further, a statement containing the particulars relating to (a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investment (f) turnover (g) profit before taxation (h) provision for taxation (i) profit after taxation (j) proposed dividend of each of the subsidiary companies of the Corporation shall be provided after the consolidated group accounts. As per the directions of the Central Government, the annual report of the Corporation, the annual accounts and the related documents of the Corporation's subsidiary companies shall be posted on the EDIFAR website of the Securities and Exchange Board of India viz. <http://sebidifar.nic.in> and also on the website of the Corporation viz. www.hdfc.com. Members who wish to have a copy of the annual accounts of the Corporation and that of its subsidiary companies can download the same from the said website(s) or may write to the Corporation.

Further, the said documents shall be available for inspection of the Members at the Registered Office of the Corporation and at the office of the respective subsidiary companies.

(x) Members who have either not received or not encashed their dividend warrants for any of the financial years from 2001-02 up to 2006-07, are requested to write to the ISD at the aforesaid address, mentioning the relevant folio number(s) or the depository account number(s) along with the depository participant identification number(s), for issuance of duplicate/revalidated dividend warrant(s).

(xi) In terms of the provisions of Section 205A of the Companies Act, 1956, the amount of dividend not encashed or claimed within seven years from the date of its transfer to the unpaid dividend account, is required to be transferred to the Investor Education and Protection Fund, (IEPF) established by the Central Government. Accordingly, unclaimed dividend in respect of financial year 2000-01 is due for transfer to the IEPF in August 2008. In terms of the provisions of Section 205C of the Companies Act, 1956, no claim shall lie against the Corporation or the IEPF after the said transfer.

(xii) Members holding shares in sole name are advised to avail of the nomination facility by filing the prescribed Form 2B (in duplicate) with the ISD. Such Members holding shares in dematerialised form are requested to contact their depository participant, for recording their nomination.

(xiii) Members who have not surrendered their share certificate(s) of Rs. 100 each of the

Corporation are advised to contact the ISD so as to facilitate its exchange with the share certificate(s) of Rs. 10 each of the Corporation.

(xiv) The Corporation has designated an exclusive email ID viz. investorcare@hdfc.com which would enable the investors to post their grievances and monitor its redressal. Any investor having any grievance can post the same to the said email address for its redressal.

(xv) For the convenience of the Members and for proper conduct of the Meeting, entry to the place of the Meeting will be regulated by the Attendance Slip, which is annexed to the Proxy Form. Members are requested to affix their signature at the place provided on the Attendance Slip and hand it over at the entrance.

(xvi) Members desiring any information relating to the annual accounts of the Corporation are requested to write to the Corporation at the earliest, so as to enable the Board of Directors to keep the information ready.

MEMBERS WHO HOLD SHARES IN DEMATERIALISED FORM, ARE REQUESTED TO BRING THEIR DEPOSITORY ACCOUNT NUMBER ALONG WITH THE DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER (DP ID) FOR IDENTIFICATION.

MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF THE ANNUAL REPORT TO THE MEETING.

Annexure to the Notice

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 7

Messrs Pannell Kerr Forster, Chartered Accountants were appointed as branch auditors of the Corporation for the purpose of the audit of the accounts of its branch office at Dubai. Their tenure as branch auditors expires at the conclusion of this meeting and the board recommends their re-appointment as branch auditors for the financial year 2008-09. Resolution for this purpose, pursuant to Section 228(1) of the Companies Act, 1956, is placed for the approval of the Members.

None of the directors of the Corporation is in any way, concerned or interested in the said resolution.

Item No. 8

Dr. Bimal Jalan was appointed as an additional director of the Corporation with effect from April 30, 2008. As per the provisions of Section 260 of the Companies Act, 1956, Dr. Jalan holds office up to the date of the ensuing Annual General Meeting. The Corporation has received a notice from a Member of the Corporation under Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Dr. Bimal Jalan as a director of the Corporation, along with deposit of Rs. 500 as required under the said Act.

The Board of Directors of the Corporation recommends, the appointment of Dr. Bimal Jalan as a director of the Corporation.

Brief profile of Dr. Bimal Jalan in terms of Clause 49 IV(G)(i) of the listing agreements relating to Corporate Governance, is provided after the Notice.

None of the directors of the Corporation other than Dr. Bimal Jalan, is in any way concerned or interested in the said resolution.

Item No. 9

In accordance with the approval accorded by the Members of the Corporation, the amount

outstanding consequent to loans borrowed by the Board of Directors on behalf of the Corporation cannot exceed Rs. 1,00,000 crores at any point of time. As on March 31, 2008, the total borrowings of the Corporation amounted to Rs. 69,314.64 crores. In view of the growth in business of the Corporation, it may be necessary for the Corporation to borrow monies from various sources consequent to which the amount outstanding could exceed the present limit of Rs. 1,00,000 crores.

The Board of Directors accordingly recommends the new limit to the extent as set out in the resolution at Item No. 9, for approval of the Members.

None of the directors of the Corporation is in any way, concerned or interested in the said resolution.

Item No. 10

The Members of the Corporation had vide resolution passed by them at the Annual General Meeting ("AGM") held on Friday, July 18, 2003 re-appointed Ms. Renu Sud Karnad as the Executive Director of the Corporation for a period of 5 years with effect from May 3, 2003.

Further at the AGM held on June 27, 2007, Members accorded their approval to the increase in the upper limit of salary range of all the whole-time directors as also given their consent to the board, to provide post retirement pension scheme and other post retirement benefit(s) to the whole-time directors of the Corporation in terms of the scheme(s) framed/to be framed by the Corporation and in accordance with and subject to fulfilling the prescribed eligibility criteria(s) and/or qualifying condition(s).

The board at its meeting held on October 29, 2007, re-designated Ms. Renu Sud Karnad as the Joint Managing Director of the Corporation, with effect from the said date, without effecting any change in the terms and conditions of her appointment, including remuneration.

Subject to the approval of the Members at the ensuing AGM, the Board of Directors at its meeting held on April 30, 2008 had approved the re-appointment of Ms. Renu Sud Karnad as the whole-time director of the Corporation (designated as the 'Joint Managing Director') for a period of 5 years with effect from May 3, 2008.

The main terms and conditions of re-appointment of Ms. Renu Sud Karnad as aforesaid as set out in the draft agreement placed before the Meeting are as follows:

(i) The re-appointment of Ms. Renu Sud Karnad as the whole-time director (designated as the 'Joint Managing Director') shall be for a period of 5 years with effect from May 3, 2008.

(ii) Salary payable to Ms. Renu Sud Karnad shall be in the range of Rs. 4,00,000 to Rs. 7,00,000 per month.

(iii) Commission per annum shall be equivalent to such sum as may be fixed by the Board of Directors or the Compensation Committee subject to an overall ceiling of 1% of the net profits of the Corporation. The net profits shall be computed in the manner as set out under Section 198(1) of the Companies Act, 1956.

(iv) Perquisites per annum shall be equivalent to her annual salary. Perquisites include rent free furnished accommodation, reimbursement of gas, electricity, water charges and medical expenses, furnishings, payment of premium on personal accident and health insurance, club fees and such other perquisites as may be approved by the board, from time to time, subject to an overall ceiling of her annual salary.

(v) Other benefits and allowances includes use of car with driver, telephones for the Corporation's business (the expenses whereof would be borne and paid by the Corporation), house maintenance allowance, leave travel allowance, contributions to provident fund, superannuation fund and post retirement pension scheme, other post retirement benefit(s) in the form of medical benefits and

use of car and all other benefits as are applicable to directors and/or senior employees of the Corporation including but not limited to gratuity, leave entitlement, encashment of leave and housing and other loan facilities as per the schemes of the Corporation and as approved by the board, from time to time.

Currently, Ms. Renu Sud Karnad is being paid a salary of Rs. 4,75,000 per month. In accordance with the resolutions, within the aforesaid limits, the amount of salary, commission and perquisites payable to her (including the types and amount of each type of perquisites) will be decided by the board or the Compensation Committee, at such time or times, as it may deem fit in its absolute discretion.

Ms. Renu Sud Karnad shall be entitled to all other benefits as are provided to the directors and/or senior employees of the Corporation, in accordance with schemes made/to be made by the Corporation, from time to time.

The valuation of perquisites will be as per the Income-Tax Rules, 1962, in cases where the same is otherwise not possible to be valued.

Brief profile of Ms. Renu Sud Karnad in terms of Clause 49 IV(G)(i) of the listing agreements relating to Corporate Governance, is provided after the Notice.

The Board of Directors recommends the resolution for approval of the Members.

This may be treated as an abstract of the terms and conditions governing the re-appointment and payment of remuneration of Ms. Renu Sud Karnad, pursuant to Section 302 of the Companies Act, 1956.

Ms. Renu Sud Karnad is interested in the resolution at Item No. 10. None of the other directors of the Corporation is in any way, concerned or interested in the said resolution.

Item No. 11

With the objective of rewarding and motivating employees for their long association and in recognition of their distinguished service to the

Corporation and also to attract and retain the best talent, the Corporation proposes to grant stock options to its present and future permanent employees and directors, whether in India or abroad ('employees'), subject to the employees meeting the eligibility criteria and on such other terms as may be determined by the Board of Directors of the Corporation (hereinafter referred to as the 'board' which term shall be deemed to include the Compensation Committee of Directors constituted by the board to exercise its powers including powers conferred by this resolution) under Employee Stock Option Scheme – 2008 (ESOS-2008) to be formulated by the board as per the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended (SEBI ESOP Guidelines) and other laws as applicable.

In accordance with the terms of the resolution and the ESOS-2008 the options would be granted in one or more tranches as may be decided by the board from time to time.

The following would *inter alia* be the broad terms and conditions of ESOS-2008:

Compensation Committee

The Compensation Committee of Directors of the Corporation comprising of independent directors has been authorised to *inter alia* formulate, administer and supervise ESOS-2008 including framing of its terms and conditions in terms of the SEBI ESOP Guidelines.

Total number of options to be granted

The total number of options to be granted under ESOS-2008 shall not exceed 56,90,000 options representing 56,90,000 equity shares of Rs. 10 each of the Corporation plus the number of options that the board may decide to grant under ESOS-2008 out of the lapsed options, if any, under the earlier employee stock option scheme(s) or such adjusted numbers for any bonus, stock splits or consolidation or other re-organisation of the capital structure

of the Corporation as may be applicable from time to time.

The options, which may lapse/expire or are forfeited, will be available for grant to the eligible employees.

Identification of classes of employees entitled to participate in the ESOS-2008

The present and future permanent employees and directors of the Corporation, whether in India or abroad, are eligible to participate in ESOS-2008, subject to such eligibility criteria as may be decided by the board, from time to time.

Vesting period of vesting and the maximum period of vesting

Subject to the applicable laws, regulations and guidelines issued by any statutory authorities in this regard, the options would be granted and vested by the board to the employees within such period and upon such terms as it may stipulate under ESOS-2008 formulated by it in that behalf, subject however that the gap between the date of grant and date of vesting shall not exceed 3 years and the minimum gap shall be as may be required by the statutory authorities.

Pricing formula

The options would be granted to the eligible employees at the latest available closing price on the stock exchange on which the shares of the Corporation are listed, prior to the date of the meeting of the board at which the options are granted. As the shares of the Corporation are listed on more than one stock exchange, the latest available closing price on the stock exchange with higher trading volume on the said date shall be considered.

Recovery of Fringe Benefit Tax

In terms of the provisions of Section 115WKA of the Income-Tax Act, 1961, as amended from time to time, the Corporation would recover the fringe benefit tax, if any, payable by it from the eligible employees in relation to the value

of the fringe benefit provided in terms of the said Act and the rules made thereunder.

It is further clarified that the Corporation shall be entitled to receive the entire consideration and the fringe benefit tax at the time of exercise of the options by the eligible employees, irrespective of when the Corporation may be required to deposit the tax with the relevant authority.

Exercise period and process of exercise

The eligible employees shall be entitled to exercise the options within such period as may be determined by the board, subject to a maximum of 5 years from the date of respective vesting.

The option shall be deemed to be exercised when the Corporation receives the written notice of exercise of options, in the prescribed format, from the person entitled to exercise the option along with full payment for the shares with respect to which the options are exercised and the amount of fringe benefit tax, if any.

Appraisal process for determining eligibility of the employees

The board shall formulate ESOS-2008 detailing the eligibility criteria for the employees, the terms and conditions subject to which shares would be issued, the modus of grant, exercise and vesting of the options and such other terms relating to the ESOS-2008. Whilst granting the options to the employees under the ESOS-2008, the board would *inter alia* consider grade, performance, merit, future potential contribution, conduct of the employee and such other factors as deemed appropriate.

Notwithstanding anything contained in this resolution or the explanatory statement thereto, the board would have the absolute discretion to determine the employees eligible to be granted options under the ESOS-2008 and the quantum of options to be granted to any eligible employee.

Maximum number of options to be issued per employee and in aggregate

The maximum number of options to be issued to any eligible employee during any one year will be decided by the board, subject however that the same shall be less than 1% of the issued equity shares of the Corporation as on the date of grant. The aggregate of all such options granted shall not exceed 56,90,000 options plus the number of options that the board may decide to grant under ESOS-2008 out of the lapsed options, if any, under the earlier employee stock options scheme(s) or such adjusted numbers for any bonus, stock splits or consolidation or other re-organisation of the capital structure of the Corporation, as applicable, from time to time.

Accounting policies

The Corporation shall comply with the accounting policies as specified by SEBI as per Clause 13.1 and other applicable provisions of the SEBI ESOP Guidelines, as amended, from time to time.

The method for valuation of options

The Corporation shall follow the intrinsic value method to value its stock options.

Declaration

The Corporation will disclose the difference between the employee compensation cost computed using the intrinsic value method and the employee compensation cost that should have been recognised if it had used the fair value of the options and the impact of this difference on the profits and on the earning per share of the Corporation in the Directors' Report, as applicable, from time to time.

Listing

The shares allotted pursuant to the exercise of the stock options, shall be listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) and

necessary applications shall be made to the said stock exchanges in that regard.

Pursuant to Section 81(1A) of the Companies Act, 1956, further equity shares may be issued to persons other than the existing Members of the Corporation as specified in Section 81(1) of the Companies Act, 1956, provided the Members of the Corporation approve the issue of such shares by way of a special resolution.

Consent of the Members in general meeting would therefore be necessary pursuant to the provisions of Section 81(1A) of the Companies Act, 1956, the relevant provisions of SEBI ESOP Guidelines, and the listing agreements with the stock exchanges. The resolution and the terms stated therein as also the terms stated in this explanatory statement hereinabove shall be subject to the guidelines/regulations issued/ to be issued by statutory authorities in that behalf and the board shall have the absolute authority to modify the terms herein which do not conform with the provisions of the said guidelines/regulations.

The Board of Directors recommends the resolution for approval of the Members.

Since the options under the ESOS-2008 could be also offered and issued to the directors of the Corporation, all the directors are deemed to be concerned and interested in the said resolution at Item No. 11 of the Notice.

The Members approval in accordance with the resolution is *inter alia* also being sought for authorising the board to do acts as stated in the resolution and hereinabove where they would be the beneficiaries.

April 30, 2008

By Order of the Board

Registered Office:
Ramon House,
H. T. Parekh Marg,
169, Backbay Reclamation,
Mumbai 400 020.

GIRISH V. KOLIYOTE
Company Secretary

Information as required under clause 49 IV(G)(i) of the Listing Agreements in respect of directors being appointed/re-appointed.

Mr. D. M. Satwalekar holds a Bachelor's degree in technology from the Indian Institute of Technology, Bombay and a Master's degree in business administration from the American University, U.S.A. He is currently the managing director and chief executive officer of HDFC Standard Life Insurance Company Limited and a director on the boards of many prominent companies in India. He was earlier the managing director of the Corporation and had been working with the Corporation from 1979 to 2000. He is also a member of the Investors' Grievance Committee of Directors. Mr. Satwalekar holds 2,13,960 equity shares of Rs. 10 each of the Corporation.

Mr. Satwalekar is a director of Asian Paints Ltd., Infosys Technologies Ltd., Nicholas Piramal India Ltd., Entertainment Network (India) Ltd. and The Tata Power Co. Ltd.

He is the chairman of the Audit Committee of Infosys Technologies Ltd. and Investors' Grievance Committee of Nicholas Piramal India Ltd.

Mr. D. N. Ghosh holds a Master's degree in economics. He was the former chairman of the State Bank of India. He is currently the chairman of ICRA Limited and a director of many prominent companies in India. He has been a director of the Corporation since 1989. He is also a member of the Audit Committee of Directors. Mr. Ghosh holds 32,967 equity shares of Rs. 10 each of the Corporation.

Mr. Ghosh is the chairman of ICRA Management Consulting Services Ltd. and Sundaram BNP Paribas Asset Management Co. Ltd. and a director of Birla Corporation Ltd.

He is the chairman of the Audit Committee of ICRA Ltd.

Dr. Ram S. Tarneja holds a Doctorate in human resources from Cornell University. He also has a M. A. both from the University of Delhi and University of Virginia and a B. A. Honors from University of Delhi. He was the former managing director of Bennett, Coleman & Company Limited. He is a director of many prominent companies in India. He has been a director of the Corporation since 1994. He is also the Chairman of the Investors' Grievance Committee of Directors. Dr. Tarneja holds 71,500 equity shares of Rs. 10 each of the Corporation.

Dr. Tarneja is the chairman of Jolly Board Ltd. He is a director of Bennett, Coleman & Co. Ltd., Bharat Gears Ltd., GATI Ltd., ITC Ltd., NESCO Ltd., Otis Elevator Co. (India) Ltd., Phillips Carbon Black Ltd., Phoenix Township Ltd., SOWIL Ltd., Transcorp International Ltd., GIVO Ltd. and Engineering Projects (India) Ltd.

He is the chairman of Audit Committee of Bennett, Coleman & Co. Ltd. and Engineering Projects (India) Ltd. and the member of the Audit Committee of Bharat Gears Ltd., GATI Ltd., Otis Elevator Co. (India) Ltd. and Transcorp International Ltd.

Dr. Bimal Jalan is a B.A. (Hons.), B.A. (Tripos), M.A., M.Phil., Ph.D. Educated at Presidency College, Kolkata, University of Cambridge, U.K., University of Oxford, U.K. and University of Bombay, Mumbai. He is a nominated Member of Parliament (Rajya Sabha) and former Governor of the Reserve Bank. He has previously held several positions in the Government including those of Finance Secretary and Chairman of the Economic Advisory Council to Prime Minister. He has also been associated with a number of public institutions, and is at present Chairman of the

Public Interest Foundation, Delhi. He has been appointed as a director of the Corporation with effect from April 30, 2008. Dr. Jalan does not hold any shares of the Corporation.

Dr. Bimal Jalan is not a director in any other public limited company.

Ms. Renu Sud Karnad, Joint Managing Director of the Corporation, is a graduate in law from the University of Mumbai and holds a Master's degree in economics from the University of Delhi. She is a Parvin Fellow – Woodrow Wilson School of International Affairs, Princeton University, U.S.A. She is currently the President of the International Union for Housing Finance. She has been employed with the Corporation since 1978 and was appointed as the executive director in 2000 and was re-designated as the Joint Managing Director in October 2007.

Ms. Karnad is the chairperson of HDFC Property Ventures Ltd. and HDFC Venture Capital Ltd. and the director of Bosch Ltd., Credit Information Bureau (India) Ltd., GRUH Finance Ltd., HDFC Asset Management Co. Ltd., HDFC Bank Ltd., HDFC ERGO General Insurance Co. Ltd., HDFC Realty Ltd., HDFC Standard Life Insurance Co. Ltd., ICI India Ltd., Indraprastha Medical Corporation Ltd. and Sparsh BPO Services Ltd.

Ms. Karnad is the chairperson of the Audit Committee of Bosch Ltd., Credit Information Bureau (India) Ltd., ICI India Ltd. and member of the Audit Committee of HDFC ERGO General Insurance Co. Ltd. and Investors' Grievance Committee of Bosch Ltd.

**HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED**

Registered Office : Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020.

PROXY FORM

Folio No. DP ID No. Client ID No.

No. of Shares held

I/We

of

being a Member/Members of **HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED** hereby

appoint of

or failing him/her of

as my/our proxy to vote for me/us and on my/our behalf at the **THIRTY-FIRST ANNUAL GENERAL MEETING** of the Corporation to be held on **Wednesday, July 16, 2008 at 3.00 p.m.** and at any adjournment(s) thereof.

Signed this day of 2008

Signature

Affix
Revenue
Stamp**Note :** This form duly completed and signed must be deposited at the Registered Office of the Corporation not less than 48 hours before the time of the Meeting.**HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED**

Registered Office : Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020.

ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting hall)

31st Annual General Meeting - July 16, 2008

I hereby record my presence at the THIRTY-FIRST ANNUAL GENERAL MEETING of the Corporation held at 'BIRLA MATUSHRI SABHAGAR', 19, Marine Lines, Mumbai 400 020 on **Wednesday, July 16, 2008 at 3.00 p.m.**

Full name of the Member (IN BLOCK LETTERS)

Folio No. DP ID No. Client ID No.

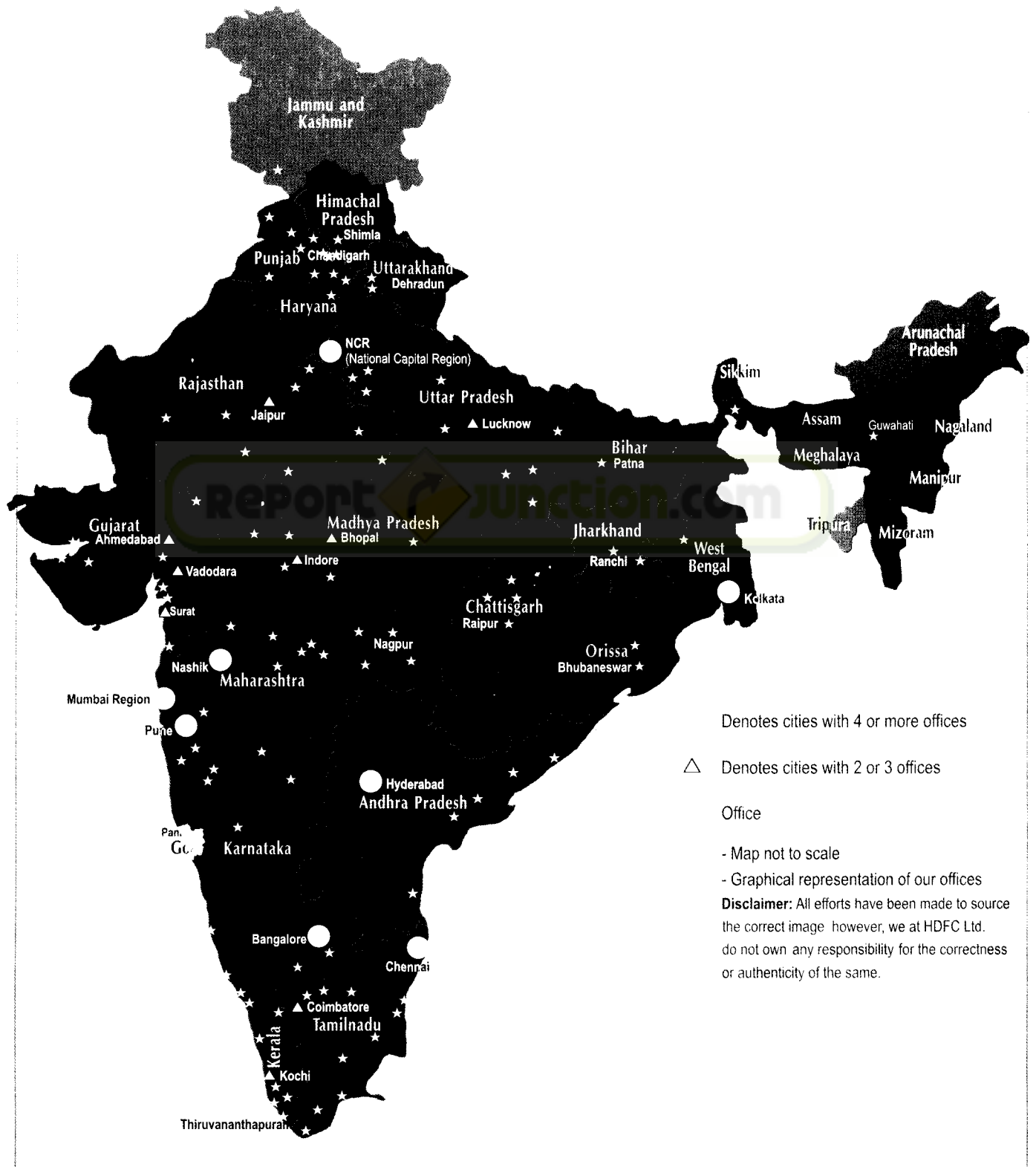
No. of Shares held

Full name of Proxy (IN BLOCK LETTERS)

Member's/Proxy's Signature

Note: Your entry to the Meeting will be regulated by this attendance slip.

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